

Solely for purposes of determining distributions of interest and principal on the Senior Certificates, the Senior Certificates have been divided into the following payment groups (each a "Certificate Group"):

**THE GROUP 1 CERTIFICATES:** The Class A-1 Certificates are referred to herein as the "Group 1 Certificates." Distributions of interest and principal on the Class A-1 Certificates will be based primarily on interest and principal received on, or advanced with respect to, the Group 1 Mortgage Loans.

**THE GROUP 2 CERTIFICATES:** The Class A-2, Class A-3, Class A-4 and Class A-5 Certificates are referred to herein as the "Group 2 Certificates." Distributions of interest and principal on the Class A-2, Class A-3, Class A-4 and Class A-5 Certificates will be based primarily on interest and principal received on, or advanced with respect to, the Group 2 Mortgage Loans.

Distributions of interest and principal on the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 and the other Subordinate Classes will be based solely on interest and principal received on, or advanced with respect to, the Group 1 and Group 2 Mortgage Loans in the aggregate.

Distributions on the Certificates will be made by the Securities Administrator on the 25th day of each month, or if such day is not a Business Day, on the first Business Day thereafter commencing in May 2006 (each, a "Distribution Date"), to the persons in whose names such Certificates are registered on the Record Date. For this purpose, a "Business Day" is any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in The City of New York, New York, the Commonwealth of Pennsylvania, the States of California, Texas, New Jersey and Minnesota or the city in which the Corporate Trust Office of the Trustee or Securities Administrator is located are authorized or obligated by law or executive order to be closed. A "Record Date" with respect to any Distribution Date and the Offered Certificates for so long as they are in book-entry form is the Business Day immediately preceding that Distribution Date and the Record Date for any book-entry certificate that becomes a definitive certificate is the last Business Day of the month preceding the month of that Distribution Date.

Payments on each Distribution Date will be made by check mailed to the address of the holder of the certificate (the "Certificateholder") entitled thereto as it appears on the applicable certificate register or, in the case of a Certificateholder who holds Certificates with an aggregate initial Class Principal Amount of \$1,000,000 or more and who has so notified the Securities Administrator in writing in accordance with the Pooling Agreement, by wire transfer in immediately available funds to the account of such Certificateholder at a bank or other depository institution having appropriate wire transfer facilities; provided, however, that the final payment in retirement of the Certificates will be made only upon presentment and surrender of such Certificates at the Corporate Trust Office of the Securities Administrator. See "—Book-Entry Certificates" below for the method of payment to Beneficial Owners of Book-Entry Certificates.

### **Book-Entry Certificates**

The Offered Certificates will be book-entry certificates (the "Book-Entry Certificates"). For a description of the procedures generally applicable to the Book-Entry Certificates, see "Description of the Securities—Book-Entry Registration of Securities" in the accompanying prospectus.

### **Glossary**

The "Accrual Period" for the Offered Certificates for any Distribution Date will be the actual number of days (based on a 360-day year) included in the period commencing on the immediately preceding Distribution Date (or, in the case of the first such Accrual Period, commencing on the Closing Date) and ending on the day immediately preceding such Distribution Date.

The "Administrative Fee" for any Distribution Date is the sum of the Servicing Fee, the Securities Administrator Fee, the Custodian Fee, the Trustee Fee and the Trust Oversight Manager Fee, each for such Distribution Date.

An "Allocated Realized Loss Amount" with respect to any class of Subordinate Certificates and any Distribution Date is an amount equal to the sum of (i) any Realized Loss allocated to that class of certificates on that Distribution Date and (ii) any Realized Loss allocated to that class of certificates on any previous Distribution Date

that has not been reimbursed as reduced by an amount equal to the increase in the related Class Principal Amount due to the receipt of Subsequent Recoveries.

The "Class Principal Amount" of any Offered Certificate, Class M-10, Class M-11 or Class P Certificate immediately prior to any Distribution Date will be equal to the Class Principal Amount thereof on the Closing Date (the "Original Class Principal Amount") reduced by the sum of (a) all amounts actually distributed in respect of principal of such class and (b) with respect to the Subordinate Certificates, any reductions in the Class Principal Amount thereof deemed to have occurred in connection with allocations of Realized Losses on all prior Distribution Dates. The Class Principal Amount of the Subordinate Certificates with respect to which there is an unpaid Allocated Realized Loss Amount may be increased by the amount of any Subsequent Recoveries as set forth in the Pooling Agreement.

The "Class A Principal Distribution Amount" is an amount equal to the excess of (x) the aggregate Class Principal Amount of the Senior Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 57.30% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-1 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date) and (2) the Class Principal Amount of the Class M-1 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 66.50% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-2 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date) and (3) the Class Principal Amount of the Class M-2 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 73.10% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-3 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date) and (4) the Class Principal Amount of the Class M-3 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 76.80% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-4 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date) and (5) the Class Principal Amount of the Class M-4 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 79.80% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due

Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-5 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date) and (6) the Class Principal Amount of the Class M-5 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 82.60% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-6 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date) and (7) the Class Principal Amount of the Class M-6 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 85.50% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-7 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (7) the Class Principal Amount of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date) and (8) the Class Principal Amount of the Class M-7 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 88.40% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-8 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after

taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (7) the Class Principal Amount of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (8) the Class Principal Amount of the Class M-7 Certificates (after taking into account the payment of the Class M-7 Principal Distribution Amount on such Distribution Date) and (9) the Class Principal Amount of the Class M-8 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 90.70% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-9 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (7) the Class Principal Amount of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (8) the Class Principal Amount of the Class M-7 Certificates (after taking into account the payment of the Class M-7 Principal Distribution Amount on such Distribution Date), (9) the Class Principal Amount of the Class M-8 Certificates (after taking into account the payment of the Class M-8 Principal Distribution Amount on such Distribution Date) and (10) the Class Principal Amount of the Class M-9 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 92.40% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

The "Class M-10 Principal Distribution Amount" is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (7) the Class Principal Amount of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (8) the Class Principal Amount of the Class M-7 Certificates (after taking into account the payment of the Class M-7 Principal Distribution Amount on such Distribution Date), (9) the Class Principal Amount of the Class M-8 Certificates (after taking into account the payment of the Class M-8 Principal Distribution Amount on such Distribution Date), (10) the Class Principal Amount of the Class M-9 Certificates (after taking into account the payment of the Class M-9 Principal Distribution Amount on such Distribution Date) and (11) the Class Principal Amount of the Class M-10 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 93.70% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.



The “Class M-11 Principal Distribution Amount” is an amount equal to, with respect to any Distribution Date, the excess of (x) the sum of (1) the aggregate Class Principal Amount of the Senior Certificates (after taking into account the payment of the Class A Principal Distribution Amount on such Distribution Date), (2) the Class Principal Amount of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (3) the Class Principal Amount of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (4) the Class Principal Amount of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (5) the Class Principal Amount of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (6) the Class Principal Amount of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (7) the Class Principal Amount of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (8) the Class Principal Amount of the Class M-7 Certificates (after taking into account the payment of the Class M-7 Principal Distribution Amount on such Distribution Date), (9) the Class Principal Amount of the Class M-8 Certificates (after taking into account the payment of the Class M-8 Principal Distribution Amount on such Distribution Date), (10) the Class Principal Amount of the Class M-9 Certificates (after taking into account the payment of the Class M-9 Principal Distribution Amount on such Distribution Date), (11) the Class Principal Amount of the Class M-10 Certificates (after taking into account the payment of the Class M-10 Principal Distribution Amount on such Distribution Date) and (12) the Class Principal Amount of the Class M-11 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (1) approximately 95.70% and (2) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period minus the Overcollateralization Floor.

A Mortgage Loan is “Delinquent” if any monthly payment due on a Due Date is not made by the close of business on the next scheduled Due Date for such Mortgage Loan. A Mortgage Loan is “30 days Delinquent” if such monthly payment has not been received by the close of business on the corresponding day of the month immediately succeeding the month in which such monthly payment was due or, if there was no such corresponding day (*e.g.*, as when a 30-day month follows a 31-day month in which a payment was due on the 31st day of such month), then on the last day of such immediately succeeding month; and similarly for “60 days Delinquent” and “90 days Delinquent,” etc.

A “Due Period” with respect to any Distribution Date is the period commencing on the second day of the month preceding the month in which such Distribution Date occurs and ending on the first day of the month in which such Distribution Date occurs.

The “Group 1 Basic Principal Distribution Amount” with respect to any Distribution Date is the excess of (i) the Group 1 Principal Remittance Amount for such Distribution Date over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Group 1 Percentage.

The “Group 1 Interest Remittance Amount” with respect to any Distribution Date is that portion of the Available Funds for such Distribution Date attributable to interest received or advanced with respect to the Group 1 Mortgage Loans and Compensating Interest paid by the Servicer with respect to the Group 1 Mortgage Loans.

The “Group 1 Percentage” is an amount equal to, with respect to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the Group 1 Principal Remittance Amount for such Distribution Date and the denominator of which is the Principal Remittance Amount for such Distribution Date.

The “Group 1 Principal Distribution Amount” with respect to any Distribution Date is sum of (i) the Group 1 Basic Principal Distribution Amount for such Distribution Date and (ii) the Overcollateralization Increase Amount for such Distribution Date multiplied by the Group 1 Percentage.

The “Group 1 Principal Remittance Amount” means, with respect to any Distribution Date, the portion of the Principal Remittance Amount for such Distribution Date derived from the Group 1 Mortgage Loans.

The “Group 1 Senior Principal Distribution Amount” is an amount equal to Class A Principal Distribution Amount multiplied by the Group 1 Percentage.

The “Group 2 Basic Principal Distribution Amount” with respect to any Distribution Date is the excess of (i) the Group 2 Principal Remittance Amount for such Distribution Date over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Group 2 Percentage.

The “Group 2 Interest Remittance Amount” with respect to any Distribution Date is that portion of the Available Funds for such Distribution Date attributable to interest received or advanced with respect to the Group 2 Mortgage Loans and Compensating Interest paid by the Servicer with respect to the Group 2 Mortgage Loans.

The “Group 2 Percentage” is an amount equal to, with respect to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the Group 2 Principal Remittance Amount for such Distribution Date and the denominator of which is the Principal Remittance Amount for such Distribution Date.

The “Group 2 Principal Distribution Amount” with respect to any Distribution Date is sum of (i) the Group 2 Basic Principal Distribution Amount for such Distribution Date and (ii) the Overcollateralization Increase Amount for such Distribution Date multiplied by the Group 2 Percentage.

The “Group 2 Principal Remittance Amount” means, with respect to any Distribution Date, the portion of the Principal Remittance Amount for such Distribution Date derived from the Group 2 Mortgage Loans.

The “Group 2 Senior Principal Distribution Amount” is an amount equal to the Class A Principal Distribution Amount multiplied by the Group 2 Percentage.

The “Interest Remittance Amount” with respect to any Distribution Date is that portion of the Available Funds for such Distribution Date attributable to interest received or advanced with respect to the Mortgage Loans and Compensating Interest paid by the Servicer with respect to the Mortgage Loans.

The “Monthly Interest Distributable Amount” for any Distribution Date and each class of Offered, Class M-10 and Class M-11 Certificates will equal the amount of interest accrued during the related Accrual Period at the related Certificate Interest Rate on the Class Principal Amount for such Distribution Date, reduced by any Net Prepayment Interest Shortfalls and Relief Act Interest Shortfalls allocated to such class (allocated to each class based on its respective entitlements to interest irrespective of any Net Prepayment Interest Shortfalls or Relief Act Interest Shortfalls for such Distribution Date).

The “Net Monthly Excess Cashflow” for any Distribution Date is equal to the sum of (a) any Overcollateralization Release Amount and (b) the excess of (x) the Available Funds for such Distribution Date over (y) the sum for such Distribution Date of (A) the Monthly Interest Distributable Amounts for the Offered Certificates, the Class M-10 Certificates and the Class M-11 Certificates, (B) the Unpaid Interest Shortfall Amounts for the Senior Certificates and (C) the Principal Remittance Amount.

An “Overcollateralization Deficiency Amount” with respect to any Distribution Date equals the amount, if any, by which the Overcollateralization Target Amount exceeds the Overcollateralized Amount on such Distribution Date (after giving effect to distributions in respect of the aggregate Principal Remittance Amount on such Distribution Date).

The “Overcollateralization Floor” with respect to any Distribution Date is an amount equal to the product of (i) 0.50% and (ii) the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date.

The “Overcollateralization Increase Amount” for any Distribution Date is the lesser of (x) the Net Monthly Excess Cashflow for such Distribution Date and (y) the Overcollateralization Deficiency Amount for such Distribution Date.

The “Overcollateralization Release Amount” means, with respect to any Distribution Date, the lesser of (x) the Principal Remittance Amount for such Distribution Date and (y) the excess, if any, of (1) the Overcollateralized Amount for such Distribution Date over (2) the Overcollateralization Target Amount for such Distribution Date.

The “Overcollateralization Target Amount” means with respect to any Distribution Date (1) prior to the Stepdown Date, approximately 2.15% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date, (2) on or after the Stepdown Date provided a Trigger Event is not in effect, the greater of (x) 4.30% of the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period and (y) the Overcollateralization Floor, and (3) on or after the Stepdown Date if a Trigger Event is in effect, the Overcollateralization Target Amount for the immediately preceding Distribution Date.

The “Overcollateralized Amount” for any Distribution Date is the amount, if any, by which (x) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period exceeds (y) the sum of the aggregate Class Principal Amount of the Offered Certificates, the Class M-10 Certificates, the Class M-11 Certificates and the Class P Certificates as of such Distribution Date (assuming that 100% of the Principal Remittance Amount is applied as a principal payment on such Distribution Date). Initially, the Overcollateralized Amount will be approximately 2.15% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date, which is approximately \$20,009,120.

The “Prepayment Period” for any Distribution Date and any principal prepayment in full received on a Mortgage Loan, is the period that (a) commences on the 16<sup>th</sup> calendar day in the month immediately preceding the month in which such Distribution Date occurs and (b) ends on the 15<sup>th</sup> calendar day in the month in which such Distribution Date occurs. The Prepayment Period for any Distribution Date and any principal prepayment in part received on a Mortgage Loan, is the calendar month preceding that Distribution Date.

The “Principal Distribution Amount” means with respect to any Distribution Date the sum of the Group 1 Principal Distribution Amount and the Group 2 Principal Distribution Amount, in each case, for such Distribution Date.

The “Principal Remittance Amount” means with respect to any Distribution Date, that portion of Available Funds equal to the sum of (i) all scheduled payments of principal collected or advanced on the Mortgage Loans by the Servicer that were due during the related Due Period, (ii) the principal portion of all partial and full principal prepayments of the Mortgage Loans applied by the Servicer during the related Prepayment Period, (iii) the principal portion of all related Net Liquidation Proceeds, Subsequent Recoveries, condemnation proceeds and insurance proceeds received during the calendar month preceding the month of such Distribution Date, (iv) that portion of the Purchase Price, representing principal of any repurchased Mortgage Loan, deposited to the Collection Account during the calendar month preceding the month of such Distribution Date, (v) the principal portion of any related Substitution Adjustments deposited in the Collection Account during the calendar month preceding the month of such Distribution Date, and (vi) on the Distribution Date on which the Trust is to be terminated in accordance with the Pooling Agreement, that portion of the Termination Price, in respect of principal.

A “Realized Loss” means, with respect to any defaulted Mortgage Loan that is finally liquidated (a “Liquidated Mortgage Loan”), the amount of loss realized equal to the portion of the Stated Principal Balance remaining unpaid after application of all liquidation proceeds net of amounts reimbursable to the Servicer for related Advances, Servicing Advances, Servicing Fees and liquidation expenses (such amount, the “Net Liquidation Proceeds”) in respect of such Mortgage Loan. If the Servicer receives any Subsequent Recoveries with respect to any Mortgage Loan, the amount of the Realized Loss with respect to that Mortgage Loan will be deemed reduced to the extent such recoveries are included in the Principal Remittance Amount on any Distribution Date.

The “Senior Enhancement Percentage” for any Distribution Date is the percentage obtained by dividing (x) the sum of (i) the aggregate Class Principal Amount of the Subordinate Certificates (after giving effect to the distribution of the Principal Distribution Amount on such Distribution Date) and (ii) the Overcollateralized Amount (after giving effect to the distribution of the Principal Distribution Amount on such Distribution Date) by (y) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the related Due Period.

The “Stated Principal Balance” of a Mortgage Loan at any Due Date is equal to the unpaid principal balance of such Mortgage Loan as of the Cut-off Date as specified in the mortgage loan schedule less any amounts received representing payments or recoveries of principal or advances in lieu thereof.

The “Stepdown Date” means the earlier to occur of (1) the Distribution Date on which the aggregate Class Principal Amount of the Senior Certificates has been reduced to zero and (2) the later to occur of (x) the Distribution

Date occurring May 2009, and (v) the first Distribution Date on which the Senior Enhancement Percentage is greater than or equal to 42.70% (for the purpose of this definition only, the Senior Enhancement Percentage shall be calculated prior to the distribution of Principal Distribution Amount on the Subordinate Certificates).

“Subsequent Recoveries” are, in the case of any Distribution Date, unexpected amounts received by the Servicer (net of any related reimbursable expenses) specifically related to a Mortgage Loan as to which a Realized Loss was incurred in connection with a final liquidation of such Mortgage Loan occurring prior to the related Prepayment Period for such Distribution Date. It is not expected that there will be any material amount of Subsequent Recoveries.

A “Trigger Event” is in effect with respect to any Distribution Date on or after the Stepdown Date if either (i) the percentage obtained by dividing (x) the aggregate Stated Principal Balance of the Mortgage Loans that are 60 days or more Delinquent or REO or in bankruptcy or in foreclosure as of the last day of the prior calendar month by (y) the aggregate Stated Principal Balance of the Mortgage Loans as of the last day of the previous calendar month exceeds 37.40% of the Senior Enhancement Percentage for such Distribution Date or (ii) the cumulative Realized Losses (after reduction for all Subsequent Recoveries received from the Cut-off Date through the last day of the related Due Period) as a percentage of the original aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date is greater than the percentage set forth in the following table:

Range of Distribution Dates	Percentage*
May 2008 – April 2009	1.20%
May 2009 – April 2010	2.65%
May 2010 – April 2011	4.15%
May 2011 – April 2012	5.35%
May 2012 and thereafter	6.00%

\* The percentages indicated are the percentages applicable for the first Distribution Date in the corresponding range of Distribution Dates. The percentage for each succeeding Distribution Date in a range increases incrementally by 1/12th of the positive difference between the percentage applicable to the first Distribution Date in that range and the percentage applicable to the first Distribution Date in the succeeding range.

The “Unpaid Interest Shortfall Amount” means (i) for the first Distribution Date and with respect to the Senior Certificates and the Subordinate Certificates, zero, and (ii) for such class of certificates and any Distribution Date after the first Distribution Date, the amount, if any, by which (a) the sum of (1) the Monthly Interest Distributable Amount for such class of certificates for the immediately preceding Distribution Date and (2) the outstanding Unpaid Interest Shortfall Amount, if any, for such class of certificates for such preceding Distribution Date exceeds (b) the aggregate amount distributed on such class of certificates in respect of interest on such preceding Distribution Date, plus interest on the amount of interest due but not paid on the class of certificates on such preceding Distribution Date, to the extent permitted by law, at the Certificate Interest Rate on such Distribution Date for such class of certificates for the related Accrual Period.

The “Unpaid Realized Loss Amount” means for any class of Subordinate Certificates, the portion of the aggregate Allocated Realized Loss Amount previously allocated to that class remaining unpaid from prior Distribution Dates.

#### **Allocation of Available Funds**

Distributions to holders of each class of Offered Certificates will be made on each Distribution Date from Available Funds. With respect to any Distribution Date, “Available Funds” will be equal to the sum of the following amounts with respect to the Mortgage Loans, net of amounts reimbursable therefrom to the Servicer, the Securities Administrator, the Custodian, the Trust Oversight Manager and the Trustee in respect of expenses and indemnification as described in the Pooling Agreement and amounts reimbursable to the Swap Provider (including any Net Swap Payment and any amount, if any, owed by the supplemental interest trust to the Swap Provider upon a Swap Early Termination (the “Swap Termination Payment”) owed to the Swap Provider but excluding any Swap Termination Payment owed to the Swap Provider resulting from any Swap Termination Payment that is triggered upon: (i) an Event of Default under the Interest Rate Swap Agreement with respect to which the Swap Provider is a Defaulting Party (as defined in the Interest Rate Swap Agreement), (ii) a Termination Event under the Interest Rate



Swap Agreement with respect to which the Swap Provider is the sole Affected Party (as defined in the Interest Rate Swap Agreement) or (iii) an Additional Termination Event under the Interest Rate Swap Agreement with respect to which the Swap Provider is the sole Affected Party ("Swap Provider Trigger Event"):

- the aggregate amount of scheduled monthly payments on the Mortgage Loans due during the related Due Period and received by the related Determination Date, after deduction of the Servicing Fee, the Custodian Fee, the Trust Oversight Management Fee and the Securities Administrator Fee and any Prepayment Interest Excess for such Distribution Date and any accrued and unpaid Servicing Fees in respect of any prior Distribution Dates;
- unscheduled full and partial prepayments for such Mortgage Loans occurring during the related Prepayment Period (excluding prepayment premiums) and insurance proceeds, condemnation proceeds, Net Liquidation Proceeds, Subsequent Recoveries and proceeds from repurchases of and substitutions for such Mortgage Loans occurring during the calendar month preceding the month of such Distribution Date; and
- payments from the Servicer in connection with Advances and Compensating Interest for such Distribution Date.

The holders of the Class P Certificates will be entitled to all prepayment premiums received on the Mortgage Loans and such amounts will not be available for distribution to the holders of the Offered Certificates.

#### **Distributions of Interest**

On each Distribution Date the Securities Administrator will withdraw from the Distribution Account that portion of Available Funds, after paying itself the Securities Administrator Fee and paying the Custodian the Custodian Fee and the Trust Oversight Manager the Trust Oversight Management Fee, for such Distribution Date consisting of the Interest Remittance Amount for such Distribution Date and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Interest Remittance Amount remaining for such Distribution Date.

1. *concurrently*, to the holders of the Senior Certificates, the related Monthly Interest Distributable Amount for each such class for such Distribution Date, on a *pro rata* basis with respect to the Senior Certificates of the same Group, based on the entitlement of each such class pursuant to this Clause 1. and applied in accordance with the allocation rules set forth below;
2. *concurrently*, to the holders of the Senior Certificates, the related Unpaid Interest Shortfall Amount, if any, for each such class for each such Distribution Date, on a *pro rata* basis with respect to the Senior Certificates of the same Group, based on the entitlement of each such class pursuant to this Clause 2. and applied in accordance with the allocation rules set forth below;
3. to the holders of the Class M-1 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
4. to the holders of the Class M-2 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
5. to the holders of the Class M-3 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
6. to the holders of the Class M-4 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
7. to the holders of the Class M-5 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;

8. to the holders of the Class M-6 Certificates, the Monthly Interest Distributable Amount allocable to such certificates.
9. to the holders of the Class M-7 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
10. to the holders of the Class M-8 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
11. to the holders of the Class M-9 Certificates, the Monthly Interest Distributable Amount allocable to such certificates;
12. to the holders of the Class M-10 Certificates, the Monthly Interest Distributable Amount allocable to such certificates; and
13. to the holders of the Class M-11 Certificates, the Monthly Interest Distributable Amount allocable to such certificates.

The Interest Remittance Amount distributed pursuant to Clauses 1. and 2. above will be applied to the Senior Certificates as follows:

1. amounts distributed to the Class A-1 Certificates will reduce the Group 1 Interest Remittance Amount before any reduction to the Group 2 Interest Remittance Amount in respect of such distribution; and
2. amounts distributed to the Class A-2, Class A-3, Class A-4 and Class A-5 Certificates will reduce the Group 2 Interest Remittance Amount before any reduction to the Group 1 Interest Remittance Amount in respect of such distribution.

Any Interest Remittance Amounts remaining undistributed following these distributions will be used in determining the amount of Net Monthly Excess Cashflow, if any, for such Distribution Date. On any Distribution Date, any Relief Act Interest Shortfalls and any Prepayment Interest Shortfalls to the extent not covered by Compensating Interest paid by the Servicer will first reduce Net Monthly Excess Cashflow as provided under “—Overcollateralization Provisions” and then reduce the Monthly Interest Distributable Amounts with respect to the Offered Certificates, the Class M-10 Certificates and the Class M-11 Certificates on a *pro rata* basis based on the respective amounts of interest accrued on such certificates for such Distribution Date.

#### **Distributions of Principal**

A. On each Distribution Date (a) prior to the Stepdown Date or (b) on which a Trigger Event is in effect, the Securities Administrator will withdraw from the Distribution Account that portion of Available Funds equal to the Group 1 Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group 1 Principal Distribution Amount remaining for such Distribution Date:

1. to the holders of the Group 1 Certificates, until the Class Principal Amount thereof has been reduced to zero; and
2. to the holders of the Group 2 Certificates, allocated as provided below, until the Class Principal Amounts thereof have been reduced to zero.

B. On each Distribution Date (a) prior to the Stepdown Date or (b) on which a Trigger Event is in effect, the Securities Administrator will withdraw from the Distribution Account that portion of Available Funds equal to the Group 2 Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group 2 Principal Distribution Amount remaining for such Distribution Date:

1. to the holders of the Group 2 Certificates, allocated as provided below, until the Class Principal Amounts thereof have been reduced to zero; and
2. to the holders of the Group 1 Certificates, until the Class Principal Amount thereof has been reduced to zero.

C. On each Distribution Date (a) prior to the Stepdown Date or (b) on which a Trigger Event is in effect, the Securities Administrator will withdraw from the Distribution Account that portion of Available Funds equal to the remaining Group 1 Principal Distribution Amount and the Group 2 Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below:

1. to the holders of the Class M-1 Certificates, until the Class Principal Amount thereof has been reduced to zero;
2. to the holders of the Class M-2 Certificates, until the Class Principal Amount thereof has been reduced to zero;
3. to the holders of the Class M-3 Certificates, until the Class Principal Amount thereof has been reduced to zero;
4. to the holders of the Class M-4 Certificates, until the Class Principal Amount thereof has been reduced to zero;
5. to the holders of the Class M-5 Certificates, until the Class Principal Amount thereof has been reduced to zero;
6. to the holders of the Class M-6 Certificates, until the Class Principal Amount thereof has been reduced to zero;
7. to the holders of the Class M-7 Certificates, until the Class Principal Amount thereof has been reduced to zero;
8. to the holders of the Class M-8 Certificates, until the Class Principal Amount thereof has been reduced to zero;
9. to the holders of the Class M-9 Certificates, until the Class Principal Amount thereof has been reduced to zero;
10. to the holders of the Class M-10 Certificates, until the Class Principal Amount thereof has been reduced to zero; and
11. to the holders of the Class M-11 Certificates, until the Class Principal Amount thereof has been reduced to zero.

D. On each Distribution Date (a) on or after the Stepdown Date and (b) on which a Trigger Event is not in effect, the holders of each Group 1 Principal Distribution Amount will be distributed in the following amounts and order of priority:

1. the holders of the Group 1 Certificates, the Group 1 Senior Principal Distribution Amount until the Class Principal Amounts thereof have been reduced to zero; and
2. to the holders of each class of Group 2 Certificates, allocated as provided below, an amount equal to the excess, if any, of (x) the amount required to be distributed pursuant to clause E.1. below for such Distribution Date over (y) the amount actually distributed pursuant to clause E.1. below from the Group 2 Principal Distribution Amount on such Distribution Date.

E. On each Distribution Date (a) on or after the Stepdown Date and (b) on which a Trigger Event is not in effect, the Group 2 Principal Distribution Amount will be distributed in the following order of priority:

1. to the holders of each class of the Group 2 Certificates, allocated as provided below, the Group 2 Senior Principal Distribution Amount, until the Class Principal Amount thereof has been reduced to zero; and
2. to the holders of each class of the Group 1 Certificates, an amount equal to the excess, if any, of (x) the amount required to be distributed pursuant to clause D.1. above for such Distribution Date over (y) the amount actually distributed pursuant to clause D.1. below from the Group 1 Principal Distribution Amount on such Distribution Date.

F. On each Distribution Date (a) on or after the Stepdown Date and (b) on which a Trigger Event is not in effect, any remaining Group 1 Principal Distribution amount and Group 2 Principal Distribution Amount will be distributed in the following order of priority:

1. to the holders of the Class M-1 Certificates, the Class M-1 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
2. to the holders of the Class M-2 Certificates, the Class M-2 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
3. to the holders of the Class M-3 Certificates, the Class M-3 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
4. to the holders of the Class M-4 Certificates, the Class M-4 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
5. to the holders of the Class M-5 Certificates, the Class M-5 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
6. to the holders of the Class M-6 Certificates, the Class M-6 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
7. to the holders of the Class M-7 Certificates, the Class M-7 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
8. to the holders of the Class M-8 Certificates, the Class M-8 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
9. to the holders of the Class M-9 Certificates, the Class M-9 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero;
10. to the holders of the Class M-10 Certificates, the Class M-10 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero; and
11. to the holders of the Class M-11 Certificates, the Class M-11 Principal Distribution Amount for such Distribution Date until the Class Principal Amount thereof has been reduced to zero.

With respect to the Group 2 Certificates, distributions of principal will be made sequentially to the Class A-2, Class A-3, Class A-4 and Class A-5 Certificates, in that order, until the Class Principal Amounts thereof have been reduced to zero; provided, however, that on any Distribution Date after the aggregate Class Principal Amount of the Subordinate Certificates has been reduced to zero, distributions of principal to the Class A-2, Class A-3, Class A-4 and Class A-5 Certificates will be made pro rata to such Classes based on their respective Class Principal Amounts.



### **Credit Enhancement**

The credit enhancement provided for the benefit of the holders of the Offered Certificates consists of subordination, overcollateralization, excess interest and the Interest Rate Swap Agreement.

The rights of the holders of the Subordinate Certificates to receive distributions will be subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the Senior Certificates. This subordination is intended to enhance the likelihood of regular receipt by the holders of the Senior Certificates of the full amount of their scheduled monthly payments of interest and principal, as applicable, and to afford such holders protection against Realized Losses.

The protection afforded to the holders of the Senior Certificates by means of the subordination of the Subordinate Certificates will be accomplished by the preferential right of the holders of the Senior Certificates to receive on any Distribution Date, prior to distribution on the Subordinate Certificates, distributions in respect of interest and principal, as applicable.

In addition, the rights of the holders of the Subordinate Certificates with lower payment priorities will be junior to the rights of holders of the Subordinate Certificates with higher payment priorities, and the rights of the holders of the Subordinate Certificates to receive distributions in respect of the Mortgage Loans will be senior to the rights of the holders of the Class C Certificates to the extent described in this prospectus supplement. This subordination is intended to enhance the likelihood of regular receipt by the more senior classes of certificates of distributions in respect of interest and principal and to afford such classes protection against Realized Losses.

### **Overcollateralization Provisions**

The weighted average net Mortgage Rate for the Mortgage Loans is generally expected to be higher than the weighted average of the Certificate Interest Rates on the Offered Certificates, the Class M-10 Certificates and the Class M-11 Certificates. As a result, interest collections on the Mortgage Loans are expected to be generated in excess of the amount of interest payable to the Offered Certificates, the Class M-10 Certificates and the Class M-11 Certificates and the fees and expenses payable by the Trust and Supplemental Interest Trust (including any Net Swap Payment owed to the Swap Provider and any Swap Termination Payment owed to the Swap Provider, other than any Swap Termination Payment resulting from a Swap Provider Trigger Event). The Pooling Agreement requires that on each Distribution Date, the Net Monthly Excess Cashflow, if any, be applied on such Distribution Date as an accelerated payment of principal on the class or classes of Offered Certificates, Class M-10 Certificates and Class M-11 Certificates then entitled to receive distributions in respect of principal, but only to the limited extent hereafter described.

With respect to any Distribution Date, any Net Monthly Excess Cashflow will be paid as follows:

1. to the holders of the class or classes of Offered Certificates, the Class M-10 and Class M-11 Certificates then entitled to receive distributions in respect of principal, in an amount equal to the principal portion of any Realized Losses experienced on the related Mortgage Loans during the preceding month, payable to such holders as part of the Principal Distribution Amount;
2. to the holders of the class or classes of Offered Certificates, the Class M-10 Certificates and Class M-11 Certificates then entitled to receive distributions in respect of principal, in an amount equal to the Overcollateralization Increase Amount (without taking into account amounts, if any, received under the Interest Rate Swap Agreement), payable to such holders as part of the Group 1 Principal Distribution Amount or Group 2 Principal Distribution Amount, as applicable, as described under “—Allocation of Available Funds—Distributions of Principal” above;
3. to the holders of the Class M-1 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
4. to the holders of the Class M-2 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;

5. to the holders of the Class M-3 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
6. to the holders of the Class M-4 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
7. to the holders of the Class M-5 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
8. to the holders of the Class M-6 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
9. to the holders of the Class M-7 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
10. to the holders of the Class M-8 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
11. to the holders of the Class M-9 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
12. to the holders of the Class M-10 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
13. to the holders of the Class M-11 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class;
14. concurrently, to the holders of the Senior Certificates, pro rata, in an amount equal to each such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
15. to the holders of the Class M-1 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
16. to the holders of the Class M-2 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
17. to the holders of the Class M-3 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
18. to the holders of the Class M-4 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
19. to the holders of the Class M-5 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls a, if any;
20. to the holders of the Class M-6 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
21. to the holders of the Class M-7 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
22. to the holders of the Class M-8 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
23. to the holders of the Class M-9 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;

24. to the holders of the Class M-10 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
25. to the holders of the Class M-11 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any;
26. to the Net WAC Reserve Fund for distribution to the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates, an amount equal to any Net WAC Rate Carryover Amount for the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates for such Distribution Date (without taking into account amounts, if any, received under the Interest Rate Swap Agreement that are available to pay any Net WAC Rate Carryover Amounts on such Distribution Date);
27. concurrently, to the holders of the Senior Certificates, pro rata, in an amount equal to each such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
28. to the holders of the Class M-1 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
29. to the holders of the Class M-2 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
30. to the holders of the Class M-3 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
31. to the holders of the Class M-4 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
32. to the holders of the Class M-5 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
33. to the holders of the Class M-6 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
34. to the holders of the Class M-7 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
35. to the holders of the Class M-8 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
36. to the holders of the Class M-9 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
37. to the holders of the Class M-10 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
38. to the holders of the Class M-11 Certificates, in an amount equal to such class' previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any;
39. to the Securities Administrator, the Custodian, the Trust Oversight Manager or the Trustee in respect of any unreimbursed expenses and indemnifications owing thereto;
40. sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, any related Allocated Realized Loss Amount allocable to such class not previously reimbursed;

- 41. to the Swap Provider, any Swap Termination Payments resulting from a Swap Provider Trigger Event;
- 42. to the holders of the Class C Certificates as provided in the Pooling Agreement; and
- 43. to the holders of the Residual Certificates, any remaining amounts.

On each Distribution Date, after making the distributions of the Available Funds as described above, the Securities Administrator will withdraw from the Net WAC Reserve Fund the amount deposited therein pursuant to subclause 26. above and will distribute these amounts to the holders of the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates in the same order of priority as the Monthly Interest Distributable Amount is allocated to such classes of certificates.

On each Distribution Date, Securities Administrator will withdraw from the Distribution Account all amounts representing prepayment premiums in respect of the Mortgage Loans received during the related Prepayment Period and will distribute these amounts to the holders of the Class P Certificates. On the first Distribution Date immediately following the expiration of the latest prepayment premium term with respect to the Mortgage Loans and if funds are available on such date, the Class P Certificates shall be entitled to its outstanding Class Principal Amount prior to any distributions of Net Monthly Excess Cashflow on such Distribution Date.

#### **Allocation of Losses; Subordination**

Any Realized Losses on the Mortgage Loans will be allocated on any Distribution Date, first, to any excess interest that may be payable on the Class C Certificates, second, to the Overcollateralized Amount, third, to Net Swap Payments received under the Interest Rate Swap Agreement, fourth, to the Class M-11 Certificates, fifth, to the Class M-10 Certificates, sixth, to the Class M-9 Certificates, seventh, to the Class M-8 Certificates, eighth, to the Class M-7 Certificates, ninth, to the Class M-6 Certificates, tenth, to the Class M-5 Certificates, eleventh, to the Class M-4 Certificates, twelfth, to the Class M-3 Certificates, thirteenth, to the Class M-2 Certificates and fourteenth, to the Class M-1 Certificates, in each instance until their Class Principal Amounts are reduced to zero.

The Pooling Agreement does not permit the allocation of Realized Losses to the Senior Certificates or the Class P Certificates. Investors in the Senior Certificates should note that although Realized Losses cannot be allocated to such Certificates, under certain loss scenarios there may not be enough interest and principal on the Mortgage Loans to distribute to the Senior Certificates all interest and principal amounts to which they are then entitled.

Once Realized Losses have been allocated to the Subordinate Certificates, such amounts with respect to such Certificates will no longer accrue interest nor will such amounts be reinstated thereafter (except to the extent of Subsequent Recoveries as set forth in the Pooling Agreement). However, Allocated Realized Loss Amounts may be paid to the holders of the Subordinate Certificates from Net Monthly Excess Cashflow, according to the priorities set forth under “—*Overcollateralization Provisions*” above or from the Swap Account, according to the priorities set forth under “—The Interest Rate Swap Agreement, the Swap Provider and the Swap Account” below.

Any allocation of a Realized Loss to a Certificate will be made by reducing the Class Principal Amount thereof by the amount so allocated as of the Distribution Date in the month following the calendar month in which such Realized Loss was incurred. Notwithstanding anything to the contrary described herein, in no event will the Class Principal Amount of any Certificate be reduced more than once in respect of any particular amount both (i) allocable to such Certificate in respect of Realized Losses and (ii) distributable as principal to the holder of such Certificate from Net Monthly Excess Cashflow.

#### **Certificate Interest Rates**

The “Certificate Interest Rate” on any Distribution Date with respect to any class of Offered, Class M-10 and Class M-11 Certificates will equal the least of (a) the related Formula Rate, (b) the Net WAC Rate and (c) the Maximum Cap Rate for such Distribution Date. With respect to the Offered Certificates, the Class M-10 and Class M-11 Certificates, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year and the actual number of days elapsed.



The “Net WAC Rate” for any Distribution Date with respect to the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates (subject to adjustment based on the actual number of days elapsed in the related Accrual Period) shall be a per annum rate equal to 12 times the quotient of (x) the total scheduled interest on the Mortgage Loans for the related Accrual Period, net of the sum of (1) the Administrative Fee, (2) any Net Swap Payment owed to the Swap Provider and (3) any Swap Termination Payment (other than any Swap Termination Payment resulting from a Swap Provider Trigger Event), payable by the Supplemental Interest Trust and (y) the aggregate principal balance of the mortgage loans as of the first day of the applicable collection period.

If on any Distribution Date, the Certificate Interest Rate for any class of Offered Certificates, Class M-10 Certificates or Class M-11 Certificates is the Net WAC Rate, then the “Net WAC Rate Carryover Amount” for any such class for such Distribution Date is an amount equal to the sum of (i) the excess of (x) the amount of interest such class of Offered Certificates, Class M-10 Certificates or Class M-11 Certificates accrued on such Distribution Date at the related Formula Rate (up to the related Maximum Cap Rate) with respect to the Offered Certificates, Class M-10 Certificates or Class M-11 Certificates, over (y) the amount of interest such class of certificates accrued for such Distribution Date at the Net WAC Rate and (ii) the unpaid portion of any related Net WAC Rate Carryover Amount from the prior Distribution Date together with interest accrued on such unpaid portion for the most recently ended Accrual Period at the Formula Rate applicable for such class of Offered Certificates, Class M-10 Certificates and Class M-11 Certificates, for the related Accrual Period. Any Net WAC Rate Carryover Amount on the Offered Certificates, Class M-10 Certificates or Class M-11 Certificates will be paid on that Distribution Date and on future Distribution Dates from and to the extent of funds available therefor in accordance with the priorities described above.

The “Maximum Cap Rate” for any Distribution Date is the per annum rate (subject to adjustment based on the actual number of days elapsed in the related Accrual Period) equal to the sum of (x) the weighted average Expense Adjusted Net Maximum Mortgage Rates of the Mortgage Loans and (y) the Net Swap Payment, if any, made by the Swap Provider, expressed as a percentage of the principal balance of the Mortgage Loans multiplied by 12.

The “Expense Adjusted Net Maximum Mortgage Rate” for any Mortgage Loan is the Maximum Mortgage Rate for such Mortgage Loan less the rate at which the Administrative Fee accrues with respect to such Mortgage Loan.

The “Maximum Mortgage Rate” for any Mortgage Loan is the maximum rate at which interest is permitted to accrue on such Mortgage Loan pursuant to the terms of the related Mortgage Note or applicable law.

The “Formula Rate” for any class of Offered Certificates, the Class M-10 or Class M-11 Certificates is the sum of (i) the interbank offered rate for one-month United States dollar deposits in the London market as of the related LIBOR Determination Date (the “Certificate Index”) and (ii) a related margin (the “Certificate Margin”). The Certificate Margins with respect to the Classes of Offered Certificates, Class M-10 Certificates or Class M-11 Certificates on each Distribution Date will be as follows:

Class of Certificates	Certificate Margin to and Including the Optional Clean-Up Call Date	Certificate Margin after the Optional Clean-Up Call Date
Class A-1	<input type="checkbox"/>	<input type="checkbox"/>
Class A-2	<input type="checkbox"/>	<input type="checkbox"/>
Class A-3	<input type="checkbox"/>	<input type="checkbox"/>
Class A-4	<input type="checkbox"/>	<input type="checkbox"/>
Class A-5	<input type="checkbox"/>	<input type="checkbox"/>
Class M-1	<input type="checkbox"/>	<input type="checkbox"/>
Class M-2	<input type="checkbox"/>	<input type="checkbox"/>
Class M-3	<input type="checkbox"/>	<input type="checkbox"/>

Class M-4	<input type="checkbox"/>	<input type="checkbox"/>
Class M-5	<input type="checkbox"/>	<input type="checkbox"/>
Class M-6	<input type="checkbox"/>	<input type="checkbox"/>
Class M-7	<input type="checkbox"/>	<input type="checkbox"/>
Class M-8	<input type="checkbox"/>	<input type="checkbox"/>
Class M-9	<input type="checkbox"/>	<input type="checkbox"/>
Class M-10	<input type="checkbox"/>	<input type="checkbox"/>
Class M-11	<input type="checkbox"/>	<input type="checkbox"/>

#### **Net WAC Reserve Fund**

On the Closing Date, the Securities Administrator will establish a reserve fund account (the “Net WAC Reserve Fund”) from which payments in respect of Net WAC Rate Carryover Amounts on the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates will be made. The Net WAC Reserve Fund will be an asset of the Trust but not of any REMIC. On each Distribution Date, to the extent required following the distribution of Available Funds as described under “—Allocation of Available Funds” above deposited into the Net WAC Reserve Fund, the Securities Administrator will withdraw from amounts in the Net WAC Reserve Fund to pay the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates any Net WAC Rate Carryover Amounts in the following order of priority, in each case to the extent of amounts remaining in the Net WAC Reserve Fund:

1. *concurrently*, to the Senior Certificates, *pro rata*, based on their respective remaining Net WAC Rate Carryover Amounts;
2. to the Class M-1 Certificates;
3. to the Class M-2 Certificates;
4. to the Class M-3 Certificates;
5. to the Class M-4 Certificates;
6. to the Class M-5 Certificates;
7. to the Class M-6 Certificates;
8. to the Class M-7 Certificates;
9. to the Class M-8 Certificates;
10. to the Class M-9 Certificates;
11. to the Class M-10 Certificates; and
12. to the Class M-11 Certificates.

#### **The Interest Rate Swap Agreement, the Swap Provider and the Swap Account**

##### *The Interest Rate Swap Agreement*

On or before the Closing Date, the Securities Administrator on behalf of the supplemental interest trust, as directed by the Depositor, will enter into an Interest Rate Swap Agreement (the “Interest Rate Swap Agreement”) with the Swap Provider. On each Distribution Date, the Securities Administrator, will deposit into the Swap

Account certain amounts, if any, received from the Swap Provider from which distributions in respect of Unpaid Interest Shortfall Amounts, Net WAC Rate Carryover Amounts, amounts necessary to maintain the applicable Overcollateralization Target Amount and Allocated Realized Loss Amounts on the Subordinate Certificates will be made. The Swap Account will be an asset of the supplemental interest trust but not of any REMIC.

The Significance Percentage of the Interest Rate Swap Agreement will be less than 10% as of the Closing Date. The Significance Percentage is calculated by reference to the "Significance Estimate" of the Interest Rate Swap Agreement which is determined based on a reasonable good faith estimate of maximum probable exposure represented by the Interest Rate Swap Agreement made in substantially the same manner as that used in the Sponsor's internal risk management process in respect of similar instruments. The "Significance Percentage" is the percentage that the amount of the significance estimate represents of the aggregate principal balance of the Mortgage Loans.

Under the Interest Rate Swap Agreement, on each Distribution Date, the supplemental interest trust will be obligated to pay to the Swap Provider from amounts available therefor pursuant to the Pooling Agreement, a Fixed Swap Payment based on a schedule, a copy of which is attached hereto as Annex II for that Distribution Date, and the Swap Provider will be obligated to pay to the Securities Administrator a floating amount equal to the product of (x) one-month LIBOR (as determined pursuant to the Interest Rate Swap Agreement), (y) the notional amount for that Distribution Date and (z) a fraction, the numerator of which is the actual number of days elapsed from the previous Distribution Date to but excluding the current Distribution Date (or, for the first Distribution Date, the actual number of days elapsed from the closing date to but excluding the first Distribution Date), and the denominator of which is 360. The "Fixed Swap Payment" for any Distribution Date shall be the product of 5.100% and the notional amount for such Distribution Date (as set forth on Annex II hereof) multiplied by a fraction, the numerator of which is 30 and the denominator of which is 360. A net payment will be required to be made on each Distribution Date (each such net payment, a "Net Swap Payment") (a) by the supplemental interest trust, to the Swap Provider, to the extent that the fixed amount exceeds the corresponding floating amount, or (b) by the Swap Provider to the supplemental interest trust to the extent that the floating amount exceeds the corresponding fixed amount.

The Interest Rate Swap Agreement will terminate immediately after the Distribution Date in April 2010, unless terminated earlier upon the occurrence of a Swap Default, an Early Termination Event or an Additional Termination Event. "Swap Default" means an Event of Default under the Interest Rate Swap Agreement. "Events of Default" under the Interest Rate Swap Agreement include the following standard events of default under the ISDA Master Agreement:

- "Failure to Pay or Deliver,"
- "Bankruptcy" (as amended in the Interest Rate Swap Agreement) and
- "Merger without Assumption" (but only with respect to the Swap Provider), as described in Sections 5(a)(i), 5(a)(vii) and 5(a)(viii) of the ISDA Master Agreement.

The respective obligations of the Swap Provider and the supplemental interest trust to pay specified amounts due under the Interest Rate Swap Agreement will be subject to the following conditions precedent: (1) no Swap Default or event that with the giving of notice or lapse of time or both would become a Swap Default, in each case, in respect of the other party, shall have occurred and be continuing with respect to the Interest Rate Swap Agreement and (2) no "Early Termination Date" (as defined in the ISDA Master Agreement) has occurred or been effectively designated with respect to the Interest Rate Swap Agreement.

Upon the occurrence of any Swap Default under the Interest Rate Swap Agreement, the non-defaulting party will have the right to designate an Early Termination Date. With respect to Termination Events (including Additional Termination Events), an Early Termination Date may be designated by one of the parties (as specified in the Interest Rate Swap Agreement) and will occur only after notice has been given of the Termination Event, all as set forth in the Interest Rate Swap Agreement. A "Termination Event" shall be defined in the Interest Rate Swap Agreement.

Upon any occurrence of an Early Termination Date under the Interest Rate Swap Agreement (a “Swap Early Termination”), the supplemental interest trust or the Swap Provider may be liable to make a Swap Termination Payment to the other (regardless, if applicable, of which of the parties has caused the termination). The Swap Termination Payment will be based on the value of the Interest Rate Swap Agreement computed in accordance with the procedures set forth in the Interest Rate Swap Agreement taking into account the present value of the unpaid amounts that would have been owed to and by the Swap Provider under the remaining scheduled term of the Interest Rate Swap Agreement. In the event that the supplemental interest trust is required to make a Swap Termination Payment, that payment will be paid from the supplemental interest trust on the related Distribution Date, and on any subsequent Distribution Dates until paid in full, generally prior to distributions to certificateholders.

Upon a Swap Early Termination, the Securities Administrator, at the direction of the depositor and with the consent of the NIMS Insurer, if any, will seek a replacement swap provider to enter into a replacement interest rate swap agreement or similar agreement. To the extent the trust receives a Swap Termination Payment from the Swap Provider, the supplemental interest trust will apply, as set forth in the Pooling Agreement, all or such portion of such Swap Termination Payment as may be required to the payment of amounts due to a replacement swap provider under a replacement interest rate swap agreement or similar agreement. Furthermore, to the extent the supplemental interest trust is required to pay a Swap Termination Payment to the Swap Provider, the supplemental interest trust will apply all or a portion of such amount received from a replacement swap provider upon entering into a replacement interest rate swap agreement or similar agreement to the Swap Termination Payment amount owing to the Swap Provider.

“Downgrade Provisions” of the Interest Rate Swap Agreement will be triggered if the Swap Provider’s short-term or long-term credit ratings fall below the levels specified in the ISDA Master Agreement. Upon the occurrence of a Downgrade Provision, the Swap Provider will be required to (1) post collateral securing its obligations under the Interest Rate Swap Agreement or (2) obtain a substitute Swap Provider acceptable to the Rating Agencies and the NIMS Insurer, if any (such consent by the NIMS Insurer not to be unreasonably withheld), that will assume the obligations of the Swap Provider under the Interest Rate Swap Agreement.

#### *The Swap Provider*

JPMorgan Chase Bank, National Association (in such capacity, “JPMCB” or the “Swap Provider”), a national banking association, is a wholly-owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMCB will be the swap provider and has long term, unsecured ratings, as of the date of this prospectus supplement, of “AA-” from Standard & Poor’s, “A+” from Fitch Ratings and “Aa2” from Moody’s Investors Service, Inc.

*The information under this heading “—The Swap Provider” has been provided by JPMorgan Chase Bank, National Association for use in this prospectus supplement. The Swap Account*

The Interest Rate Swap Agreement will be administered by the Securities Administrator pursuant to the Pooling Agreement. Any Net Swap Payments made by the Swap Provider will be distributed in accordance with the Pooling Agreement. The Securities Administrator will be required to deposit into a segregated trust account, in which payments owed to or received from, the Swap Provider will be deposited (the “Swap Account”), an amount equal to any remaining Unpaid Interest Shortfall Amounts, Net WAC Rate Carryover Amounts, Allocated Realized Loss Amounts and amounts necessary to maintain the applicable Overcollateralization Target Amount on the Senior Certificates and Subordinate Certificates, up to the Net Swap Payment received by the Securities Administrator from the Swap Provider.

Net Swap Payments and Swap Termination Payments (other than any Swap Termination Payment resulting from a Swap Provider Trigger Event) payable by the supplemental interest trust will be deducted from Available Funds before distributions to certificateholders and will first be deposited into the Swap Account before payment to the Swap Provider.

On each Distribution Date, to the extent required, following the distribution of the Net Monthly Excess Cashflow as described in “—Overcollateralization Provisions” above and withdrawals from the Net WAC Reserve Fund as described in “—Net WAC Reserve Fund” above, the Securities Administrator will withdraw from amounts



in the Swap Account to distribute to the Swap Provider and to the Senior Certificates and Subordinate Certificates in the following order of priority:

*first*, to the Swap Provider, any Net Swap Payment owed to the Swap Provider pursuant to the Swap Agreement for such Distribution Date;

*second*, to the Swap Provider, any Swap Termination Payment owed to the Swap Provider not resulting from a Swap Provider Trigger Event pursuant to the Swap Agreement;

*third*, to the holders of the class or classes of Offered Certificates, the Class M-10 and Class M-11 Certificates then entitled to receive distributions in respect of principal, in an amount equal to any Realized Losses experienced on the Mortgage Loans during the preceding month, payable to such holders as part of the Principal Distribution Amount; remaining undistributed after distribution of the Net Monthly Excess Cashflow;

*fourth*, to the holders of the class or classes of Offered Certificates, the Class M-10 Certificates and Class M-11 Certificates then entitled to receive distributions in respect of principal, in an amount necessary to maintain the Overcollateralization Target Amount, payable to such holders as part of the Principal Distribution Amount as described under “—Allocation of Available Funds—Distributions of Principal” above to the extent not otherwise paid;

*fifth*, to the Senior Certificates, the related Monthly Interest Distributable Amount and Unpaid Interest Shortfall Amount remaining undistributed after the distribution of the Interest Remittance Amount,

*sixth*, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Monthly Interest Distributable Amount and Unpaid Interest Shortfall Amount, to the extent remaining undistributed after the distributions of the Interest Remittance Amount and the Net Monthly Excess Cashflow;

*seventh*, concurrently, to the holders of the Senior Certificates, pro rata, in an amount equal to each such class’ previously allocated and not reimbursed share of Net Prepayment Interest Shortfalls, if any, to the extent remaining undistributed after the distributions of the Interest Remittance Amount and the Net Monthly Excess Cashflow;

*eighth*, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Net Prepayment Interest Shortfalls, to the extent remaining undistributed after the distributions of the Interest Remittance Amount and the Net Monthly Excess Cashflow;

*ninth*, sequentially, to the Senior, Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Net WAC Rate Carryover Amount, to the extent remaining undistributed after distributions are made from the Net WAC Reserve Fund;

*tenth*, concurrently, to the holders of the Senior Certificates, pro rata, in an amount equal to each such class’ previously allocated and not reimbursed share of Relief Act Interest Shortfalls, if any, to the extent remaining undistributed after the distributions of the Interest Remittance Amount and the Net Monthly Excess Cashflow;

*eleventh*, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Relief Act Interest Shortfalls, to the extent remaining undistributed after the distributions of the Interest Remittance Amount and the Net Monthly Excess Cashflow;

*twelfth*, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, any related Allocated Realized Loss Amount allocable to such class not previously reimbursed; and

*thirteenth*, to the Class C holders as specified in the Pooling Agreement, any remaining amount.

#### **Calculation of Certificate Index**

On the second LIBOR Business Day preceding the commencement of each Accrual Period for the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates (each such date, a "LIBOR Determination Date"), the Securities Administrator will determine the Certificate Index for such Accrual Period for the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates on the basis of the London interbank offered rate for one-month United States dollar deposits, as such rates appear on the Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date. If such rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the offered rates of the Reference Banks for one-month United States dollar deposits, as of 11:00 a.m. (London time) on such LIBOR Determination Date. The Securities Administrator, on behalf of Trustee, will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If on such LIBOR Determination Date two or more Reference Banks provide such offered quotations, the Certificate Index for the related Accrual Period will be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of 0.0625%). If on such LIBOR Determination Date fewer than two Reference Banks provide such offered quotations, the Certificate Index for the related Accrual Period shall be the higher of (x) the Certificate Index as determined on the previous LIBOR Determination Date and (y) the Reserve Interest Rate.

As used in this section, "LIBOR Business Day" means a day on which banks are open for dealing in foreign currency and exchange in London; "Telerate Page 3750" means the display page currently so designated on the Moneyline Telerate Capital Markets Report (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices); "Reference Banks" means leading banks selected by the Depositor and engaged in transactions in Eurodollar deposits in the international Eurocurrency market (1) with an established place of business in London, (2) which have been designated as such by the Depositor, and (3) not controlling, controlled by or under common control with, the Depositor, the Servicer or any successor servicer or the Originator; and "Reserve Interest Rate" shall be the rate per annum that the Securities Administrator determines to be either (x) the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of 0.0625%) of the one-month United States dollar lending rates which New York City banks selected by the Depositor are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (y) in the event that the Securities Administrator can determine no such arithmetic mean, the lowest one-month United States dollar lending rate which New York City banks selected by the Depositor are quoting on such LIBOR Determination Date to leading European banks.

The establishment of the Certificate Index on each LIBOR Determination Date by the Securities Administrator and its calculation of the rates of interest applicable to the Offered Certificates, Class M-10 Certificates and Class M-11 Certificates for the related Accrual Period will (in the absence of manifest error) be final and binding.

#### **Example of Distributions**

The following sets forth an example of collection of payments from borrowers on the Mortgage Loans, transfer of amounts among the Trust Accounts, and distributions on the Certificates for the Distribution Date in May 2006:

April 2 through

May 1 ..... Due Period:

Payments due during the related Collection Period (April 2 through May 1) from borrowers will be deposited in the Servicer's Collection Account as received and will include scheduled principal payments due during the related Due Period and interest accrued on the ending scheduled balance from the prior Due Period.

April 1 through April 30 .....	Prepayment Period for partial prepayments received from Mortgage Loans:	Partial principal prepayments received by the Servicer during the related Prepayment Period (April 1 through April 30) will be deposited into the Servicer's Collection Account for remittance to the Securities Administrator on the Servicer Remittance Date.
April 16 through May 15 .....	Prepayment Period for prepayments in full received from Mortgage Loans:	Prepayments in full received during the related Prepayment Period from Mortgage Loans will be deposited into the Servicer's Collection Account for remittance to the Securities Administrator on the Servicer Remittance Date.
May 24.....	Servicer Remittance Date:	The Servicer will remit collections, advances and recoveries in respect of the Mortgage Loans to the Securities Administrator for deposit into the Distribution Account on or prior to the business day immediately preceding the related Distribution Date, as specified in the Pooling Agreement.
May 24.....	Record Date:	Distributions will be made to Certificateholders of record for all applicable classes as of the business day immediately before the related Distribution Date.
May 23 .....	Any payment received from the Swap Provider under the Interest Rate Swap Agreement:	Two Business Days immediately before the related Distribution Date, the Swap Provider will pay to the Securities Administrator for deposit into the Swap Account any Net Swap Payments or Swap Termination Payments required to be paid by the Swap Provider and the Securities Administrator will remit any Net Swap Payments or Swap Termination Payments to the Swap Provider from amounts on deposit in the Swap Account, in each case under the Interest Rate Swap Agreement.
May 25.....	Distribution Date:	On the 25th day of each month (or if the 25th day is not a business day, the next business day), the Securities Administrator will make distributions to Certificateholders from amounts on deposit in the Distribution Account and the Swap Account.

Succeeding months follow the same pattern.

#### **Reports to Certificateholders**

On each Distribution Date, the Securities Administrator will make available to the Trustee, the Depositor, each Certificateholder, the NIMS Insurer, if any, the Trust Oversight Manager, the Swap Provider and the rating agencies a statement (based solely on information received from the Servicer) generally setting forth, among other things:

- the amount of the distributions, separately identified, with respect to each class of Certificates;
- the amount of the distributions set forth in the first clause above allocable to principal, separately identifying the aggregate amount of any principal prepayments or other unscheduled recoveries of principal included in that amount;
- the amount of the distributions set forth in the first clause above allocable to interest and how it was calculated;

- the amount of any unpaid Interest Shortfall with respect to each class of Certificates;
- the Class Principal Amount of each class of Certificates after giving effect to the distribution of principal on that Distribution Date;
- the Group Balance for the Aggregate Pool, the Stated Principal Balance of the Mortgage Loans in each Mortgage Group at the end of the related Prepayment Period, and the applicable Net WAC of the Mortgage Loans in each Mortgage Group at the beginning of the related Due Period;
- with respect to each Mortgage Group and the Aggregate Pool, the number and aggregate principal balance of the Mortgage Loans that were (A) delinquent (exclusive of Mortgage Loans in foreclosure) (1) 30 to 59 days, (2) 60 to 89 days and (3) 90 or more days, (B) in foreclosure and delinquent (1) 30 to 59 days, (2) 60 to 89 days and (3) 90 or more days and (C) in bankruptcy as of the close of business on the last day of the calendar month preceding that Distribution Date;
- with respect to each Mortgage Group and the Aggregate Pool, the total number and principal balance of any REO properties as of the close of business on the last day of the preceding Due Period;
- with respect to each Mortgage Group and the Aggregate Pool, the amount of Realized Losses incurred during the preceding calendar month;
- with respect to each Mortgage Group and the Aggregate Pool, the cumulative amount of Realized Losses incurred since the Closing Date; and
- the Certificate Interest Rate for each class of Certificates for that Distribution Date.

The Securities Administrator may make available each month, to any interested party, the monthly statement to Certificateholders via the Securities Administrator's website. The Securities Administrator's website will be located at [www.jpmorgan.com/sfr](http://www.jpmorgan.com/sfr), and assistance in using the website can be obtained by calling the Securities Administrator's customer service desk at (877) 722-1095. Parties that are unable to use the above distribution option are entitled to have a paper copy mailed to them via first class mail by notifying the Securities Administrator at the following address: 4 New York Plaza, 6<sup>th</sup> Floor, New York, New York 10004, Attention: Worldwide Securities Services/Structured Finance Services - JPMAC 2006-NC1. The Securities Administrator will have the right to change the way such reports are distributed in order to make such distributions more convenient and/or more accessible, and the Securities Administrator will provide timely and adequate notification to such parties regarding any such changes.

In addition, within a reasonable period of time after the end of each calendar year, the Securities Administrator will, upon written request, prepare and deliver to each holder of a Certificate of record during the previous calendar year a statement containing information necessary to enable holders of the Certificates to prepare their tax returns. These statements will not have been examined and reported upon by an independent public accountant.

#### **Final Scheduled Distribution Date**

The "Final Scheduled Distribution Date" for the Offered Certificates, other than the Class A-2 Certificates, is the Distribution Date in April 2036, which is the Distribution Date in the month following the scheduled maturity date for the latest maturing Mortgage Loan. The Final Scheduled Distribution Date for the Class A-2 Certificates is the Distribution Date in January 2032, which is calculated assuming a 0% prepayment assumption and adding one month. The actual final Distribution Date of any class of Certificates may be earlier or later, and could be substantially earlier, than such class's Final Scheduled Distribution Date.

#### **Optional Clean-Up Call**

On the first Distribution Date on which the aggregate outstanding principal balance of the Mortgage Loans as of the related Due Date is equal to or less than 10% of the aggregate principal balance of the Mortgage Loans as

of the Cut-off Date, the Servicer will have the option to purchase the Mortgage Loans (and if the Servicer does not, the majority holder of the Class C Certificates, the NIMS Insurer, if any, may have the right to direct the Servicer to exercise, on its behalf) at a price equal to the greater of (a) the sum of (i) 100% of the aggregate outstanding principal balance of the Mortgage Loans plus accrued interest thereon at the applicable Mortgage Rate to but not including the Due Date in the month of such Distribution Date, (ii) the fair market value of all other property of the Trust Fund, (iii) any unreimbursed advances, fees, servicing fees and other amounts payable to the Servicer, the Securities Administrator and the Trustee and (iv) any Swap Termination Payment payable to the Swap Provider then remaining unpaid or which is due because of the exercise of such option and (b) the fair market value, determined in accordance with the terms of the Pooling Agreement, of all outstanding Mortgage Loans (other than Liquidated Mortgage Loans), all property acquired in respect of any such Mortgage Loans remaining in the Trust Fund and all other property included in any REMIC formed under the Pooling Agreement. This option may only be exercised if the proceeds will also be sufficient to pay all interest accrued on, as well as amounts necessary to retire the principal balance of, the notes guaranteed by the NIMS Insurer and any amounts owed to the NIMS Insurer at the time the option is exercised.

If such option is exercised, and the amount specified in clause (b) of the preceding paragraph exceeds the amount specified in clause (a) of that paragraph, then a residual class specified in the Pooling Agreement will be entitled to receive the amount of such excess. These residual classes are not offered hereby.

If the option is exercised, it will effect an early retirement of the related Certificates. Distributions on the Certificates will be treated as a prepayment of the Mortgage Loans and the amounts paid in connection with the optional termination will be paid in accordance with the priorities and amounts set forth herein. With respect to an optional termination, the proceeds for that distribution may not be sufficient to distribute the full amount to which each class of Certificates is entitled. Upon the termination, any funds or property remaining in the Trust Fund will be liquidated and the Trust Fund will terminate.

#### **FEES AND EXPENSES OF THE TRUST FUND**

In consideration of their duties on behalf of the Trust Fund, the Servicer, the Securities Administrator, the Custodian and the Trustee will receive from the assets of the Trust Fund certain fees as set forth in the following table:

<b><u>Fee Payable to:</u></b>	<b><u>Frequency of Payment:</u></b>	<b><u>Amount of Fee:</u></b>	<b><u>How and When Fee Is Paid:</u></b>
<b>Servicer</b>	monthly	A monthly fee paid to the Servicer out of interest collections received from the related Mortgage Loan calculated on the outstanding principal balance of each Mortgage Loan at 0.50% per annum.	Deducted by the Servicer from the Collection Account in respect of each Mortgage Loan serviced by that Servicer, before payment of any amounts to Certificateholders.
<b>Securities Administrator</b>	monthly	A monthly fee paid to the Securities Administrator out of interest collections received from the related Mortgage Loan calculated on the outstanding principal balance of each Mortgage Loan at 0.004% per annum, with a monthly minimum of at least \$500.	Deducted by the Securities Administrator before payment of any amounts to Certificateholders.
<b>Trustee</b>	annually	An annual fee paid to the Trustee by the Securities Administrator out of the Securities Administrator's fee.	Paid by the Securities Administrator before payment of any amounts to Certificateholders.



<b>Custodian</b>	monthly	A monthly fee paid to the Custodian out of interest collections received from the related Mortgage Loans calculated on the outstanding principal balance of each Mortgage Loan at 0.002% per annum.	Paid by the Securities Administrator before payment of any amounts to Certificateholders.
<b>Trust Oversight Manager</b>	monthly	A monthly fee paid to the trust oversight manager out of interest collections received from the related Mortgage Loans calculated on the outstanding principal balance of each Mortgage Loan at 0.015% per annum, subject to a monthly minimum of \$1,250.	Paid by the Securities Administrator before payment of any amounts to Certificateholders.

None of the fees set forth in table above may be changed without amendment of the Pooling Agreement as described under “The Pooling Agreement—Amendment” below or, in the case of the Custodian fee, the related custodial agreement.

Expenses of the Servicer, the Custodian, the Trustee, the Securities Administrator and the Trust Oversight Manager will be reimbursed before payments are made on the Certificates. Reimbursement of indemnification costs and expenses of the Trustee, the Securities Administrator, the Custodian and the Trust Oversight Manager will be reimbursed up to an annual amount specified in the Pooling Agreement before payments of interest and principal are made on the Certificates; any additional unpaid indemnification costs and expenses above such amount in any year will be paid to such party to the extent of any remaining interest collections after all payments of all other amounts due as described under “Description of the Certificates—Overcollateralization Provisions” are made.

## THE POOLING AGREEMENT

### General

The Offered Certificates will be issued pursuant to the Pooling Agreement. The assets of the Trust created under the Pooling Agreement will consist of (i) all of the Depositor’s right, title and interest in the Mortgage Loans, the related mortgage notes, mortgages and other related documents, (ii) all payments on or collections in respect of the Mortgage Loans due after the Cut-off Date, together with any proceeds thereof, (iii) any Mortgaged Properties acquired on behalf of certificateholders by foreclosure or by deed in lieu of foreclosure, and any revenues received thereon, (iv) the rights of the Trustee under all insurance policies required to be maintained pursuant to the Pooling Agreement, (v) the Net WAC Reserve Fund and (vi) the rights of the Seller under the Mortgage Loan Purchase Agreement. The Offered Certificates will be transferable and exchangeable at the Corporate Trust Office of the Securities Administrator.

The Interest Rate Swap Agreement, the Swap Account and the right to any Net Swap Payment and any Swap Termination Payment made by the Swap Provider and deposited into the Swap Account are not assets of the trust, but instead are assets of the separate supplemental interest trust.

The NIMS Insurer, if any, will be a third party beneficiary of the Pooling Agreement to the extent set forth in the Pooling Agreement. In addition, the NIMS Insurer, if any, will have various rights under the Pooling Agreement including, but not limited to, the rights set forth under “Risk Factors—Rights of the NIMS Insurer” in this prospectus supplement.

### Assignment of the Mortgage Loans

Under the Assignment Agreement, J.P. Morgan Mortgage Acquisition Corp. (the “Seller”) will sell the Mortgage Loans to the Depositor and the Depositor will sell the Mortgage Loans to the Trust Fund. Pursuant to the Assignment Agreement, the Seller will transfer to the Depositor and the Depositor will transfer to the Trustee its rights under the Mortgage Loan Purchase Agreement with respect to certain representations, warranties and covenants made by the Originator relating to, among other things, certain characteristics of the Mortgage Loans. In

addition, pursuant to the Pooling Agreement, the Seller will make certain representations, warranties and covenants relating to certain characteristics of the related Mortgage Loans. Subject to the limitations described below, the Originator or the Seller will be obligated as described herein to purchase or substitute a similar mortgage loan for any related Mortgage Loan as to which there exists deficient documentation or as to which there has been an uncured breach of any such representation or warranty relating to the characteristics of the Mortgage Loan that materially and adversely affects the value of such Mortgage Loan or the interests of the Certificateholders in such Mortgage Loan (a "Defective Mortgage Loan"). See "The Trust Fund—Representations by Sellers or Originator; Repurchases" in the accompanying prospectus.

Pursuant to the Pooling Agreement, on the Closing Date the Depositor will sell, transfer, assign, set over and otherwise convey without recourse to the Trustee, on behalf of the Trust Fund, all of its rights to the Mortgage Loans and its rights under the Assignment Agreements (including the right to enforce the Originators' purchase obligations). The obligations of the Originator and the Seller with respect to the Certificates are limited to their respective obligations to purchase or substitute for Defective Mortgage Loans.

In connection with such transfer and assignment of the Mortgage Loans, the Depositor will deliver or cause to be delivered to the Trustee or its custodian, among other things, the original promissory note (the "Mortgage Note") (and any modification or amendment thereto) endorsed in blank without recourse, the original instrument creating a first or second lien on the related Mortgaged Property (the "Mortgage") with evidence of recording indicated thereon, an assignment in recordable form of the Mortgage, all recorded intervening assignments of the Mortgage and any modifications to such Mortgage Note and Mortgage (except for any such document other than Mortgage Notes not available on the Closing Date, which will be delivered to the Trustee or its custodian as soon as the same is available to the Depositor) (collectively, the "Mortgage File"). Assignments of the Mortgage Loans to the Trustee (or its nominee) will be recorded in the appropriate public office for real property records, except in states where, in the opinion of counsel, such recording is not required to protect the Trustee's interest in the Mortgage Loans against the claim of any subsequent transferee or any successor to or creditor of the Depositor. It is expected that the Depositor will not submit the Assignments of Mortgage for recordation in any jurisdiction.

J.P. Morgan Trust Company, National Association, as custodian (the "Custodian"), on behalf of the Trustee, will review each Mortgage File within the time period specified in the related Custodial Agreement or promptly after the Custodian's receipt of any document permitted to be delivered after the Closing Date. The Custodian will hold such Mortgage Files in trust for the benefit of the Certificateholders. The Custodian shall be entitled to a monthly fee (the "Custodian Fee") calculated at 0.002% per annum (the "Custodian Fee Rate") on the aggregate Stated Principal Balance of the Mortgage Loans. If at the end of such specified period, any document in a Mortgage File is found to be missing or defective in a material respect and the Originator or the Seller, as applicable, does not cure such omission or defect within the time period required under the Pooling Agreement, then the Originator, or, if applicable, the Seller under the Pooling Agreement, is obligated to purchase the related Defective Mortgage Loan from the Trust Fund at the price specified in the Pooling Agreement. Rather than purchase the Defective Mortgage Loan as provided above, the Originator or the Seller may remove such Mortgage Loan (a "Deleted Mortgage Loan") from the Trust Fund and substitute in its place one or more mortgage loans of like kind (such loan a "Replacement Mortgage Loan"); provided, however, that such substitution is permitted only within two years after the Closing Date and may not be made unless an opinion of counsel is provided to the effect that such substitution would not disqualify the REMIC elections or result in a prohibited transaction tax under the Code.

Any Replacement Mortgage Loan generally will, on the date of substitution, among other characteristics set forth in the Pooling Agreement, (i) have an outstanding principal balance, after deduction of all Scheduled Payments due in the month of substitution, not in excess of the Stated Principal Balance of the related Deleted Mortgage Loan (the amount of any shortfall to be deposited in the Distribution Account in the month of substitution), (ii) have a maximum Mortgage Rate not less than (and not more than two percentage points greater than) the maximum mortgage rate of the related Deleted Mortgage Loan, (iii) have a gross margin not less than that of the related Deleted Mortgage Loan, (iv) have a Loan-to-Value Ratio equal to or less than that of the related Deleted Mortgage Loan, (v) have a remaining term to maturity not greater than (and not more than one year less than) that of the related Deleted Mortgage Loan, (vi) have the same adjustment date as that of the related Deleted Mortgage Loan, (vii) have a minimum rate not less than that of the related Deleted Mortgage Loan, (viii) have the same index as that of the related Deleted Mortgage Loan and (ix) comply with all of the representations and warranties set forth in the Pooling Agreement, as modified by the related Assignment Agreement (if applicable). This cure, repurchase or

substitution obligation constitutes the sole remedy available to the Certificateholders or the Trustee for omission of, or a material defect in, a Mortgage File.

Under the Reconstitution Agreement, the Originator will make certain representations and warranties as to the accuracy in all material respects of certain information furnished to the Trustee with respect to each Mortgage Loan (e.g., Cut-off Date Principal Balance and the Mortgage Rate). In addition, the Originator will make certain other representations and warranties with respect to each related Mortgage Loan, including, but not limited to, the following: (i) all of the prepayment premium terms on the related Mortgage Loans with prepayment premium terms expire no later than three years following the origination of the related Mortgage Loan; (ii) no Mortgage Loan will be subject to the Home Ownership and Equity Protection Act of 1994 or any comparable local, state or federal law; (iii) no Group 1 Mortgage Loan originated on or after October 1, 2002 and before March 7, 2003 is secured by property located in the State of Georgia; (iv) no proceeds from any Mortgage Loan were used to finance single-premium credit insurance policies; and (v) no Group 1 Mortgage Loan originated on or after March 7, 2003 is a "high cost home loan" as defined under the Georgia Fair Lending Act. Furthermore, the Originator will represent and warrant with respect to each Mortgage Loan as of the Closing Date that, among other things, at the time of transfer to the Seller, each of the Originator and those of its affiliates that are parties to the Mortgage Loan Purchase Agreement has transferred and assigned all of its right, title and interest in each related Mortgage Loan and the Mortgage Loan Documents, free of any lien. The Seller will represent and warrant in the Pooling Agreement with respect to each Mortgage Loan that (i) each Mortgage Loan at the time of origination complied in all material respects with applicable local, state and federal laws, including, but not limited to, all applicable predatory and abusive lending laws, and (ii) no Mortgage Loan is a "high cost" mortgage loan, as defined by the applicable predatory and abusive lending laws.

Upon discovery of a breach of any representation and warranty made by the Originator or the Seller with respect to the Mortgage Loans which materially and adversely affects the interests of the certificateholders in the related Mortgage Loan and Mortgage Loan Documents, the Originator or the Seller, as applicable, will have a period of 60 days after discovery or notice of the breach to effect a cure. If the breach cannot be cured within the 60-day period, the Originator or the Seller, as applicable, will be obligated to (x) substitute for such Mortgage Loan a Qualified Substitute Mortgage Loan or (y) purchase such Mortgage Loan from the Trust at the Purchase Price, plus any costs and damages incurred by the Trust in connection with any violation of any predatory or abusive lending law with respect to such Mortgage Loan. However, a substitution of the related Mortgage Loan is permitted only within two years of the Closing Date and may not be made unless an opinion of counsel is provided to the effect that such substitution will not disqualify any REMIC or result in a prohibited transaction tax under the Internal Revenue Code.

Pursuant to the Pooling Agreement, the Servicer will service and administer the Mortgage Loans as more fully set forth therein.

#### **Servicing and Administrative Responsibilities**

The Servicer, the Securities Administrator, the Trustee and the Custodian will have the following responsibilities with respect to the Trust Fund:

<b><u>Party:</u></b>	<b><u>Responsibilities:</u></b>
<b>Servicer</b>	<p>Performing the servicing functions with respect to the Mortgage Loans and the Mortgaged Properties in accordance with the provisions of the Pooling Agreement or the Mortgage Loan Purchase Agreement, as applicable, including, but not limited to:</p> <ul style="list-style-type: none"> <li>collecting monthly remittances of principal and interest on the Mortgage Loans from the related borrowers, depositing such amounts in the Collection Account, and delivering all amounts on deposit in the Collection Account to the Securities Administrator for deposit in the Distribution Account on the Servicer Remittance Date;</li> </ul>

**Party:**

**Responsibilities:**

- collecting amounts in respect of taxes and insurance from the related borrowers, depositing such amounts in the related escrow account, and paying such amounts to the related taxing authorities and insurance providers, as applicable;
- making Advances with respect to delinquent payments of principal and interest on the Mortgage Loans, to the extent that the Servicer believes such Advances will be recoverable;
- paying, as servicing advances, customary costs and expenses incurred in the performance by the Servicer of its servicing obligations, including, but not limited to, the cost of (a) the preservation, restoration and protection of the Mortgaged Property, (b) taxes, assessments and other charges which are or may become a lien upon the Mortgaged Property or (c) borrower-paid primary mortgage insurance policy premiums and fire and hazard insurance coverage, to the extent not paid by the borrower;
- providing monthly loan-level reports to the Securities Administrator;
- maintaining certain insurance policies relating to the Mortgage Loans; and
- enforcement of foreclosure proceedings.

*See “The Servicer” above and the other sections of “The Pooling Agreement” herein.*

**Securities Administrator**

Performing the securities administrator functions in accordance with the provisions of the Pooling Agreement, including but not limited to:

- creating and maintaining the Distribution Account, the Swap Account and the Net WAC Reserve Fund;
- receiving monthly remittances from the Servicer for deposit in the Distribution Account and distributing all amounts on deposit in the Distribution Account to the Certificateholders and the Swap Account in accordance with the priorities described under “Description of the Certificates—Distributions of Interest,” “—Distributions of Principal” and “—Credit Enhancement—Overcollateralization Provisions,” on each Distribution Date;
- preparing and distributing annual investor reports necessary to enable Certificateholders to prepare their tax returns;
- preparing and distributing the monthly distribution date statement to Certificateholders based on information received from the Servicer and the Swap Provider;
- depositing any Net Swap Amounts received from the Swap Provider into the Swap Account;
- distributing amounts on deposit in the Swap Account to the Certificateholders and the Swap Provider in accordance with the priorities described under “Description of the Certificates—The Interest Rate Swap Agreement, the Swap Provider and the Swap Account” with respect to each Distribution Date;

*See “The Pooling Agreement—The Trustee and the Securities Administrator,” and “Description of the Certificates—Reports to Certificateholders”.*

**Party:**

**Responsibilities:**

**Trustee**

- exercising remedies upon a Servicer Event of Default where a responsible officer of the trustee has actual knowledge of the default and is instructed by certificateholder to enforce such remedies;
- upon the failure of a Servicer to make Advances with respect to a Mortgage Loan and the occurrence of a Servicer Event of Default where a responsible officer of the Trustee has actual knowledge of the default or has received notice of a default, making those Advances to the extent provided in the Pooling Agreement; and
- until a successor servicer is appointed, acting as successor servicer in the event the Servicer resigns or is removed by the Trustee, subject to a 90-day transition period during which time the Servicer will continue to perform the majority of the servicing obligations with respect to the Mortgage Loans.

*See “The Pooling Agreement—The Trustee and the Securities Administrator,” and “—Servicer Events of Default”.*

**Custodian**

Performing the custodial functions in accordance with the provisions of the custodial agreements, including but not limited to:

- holding and maintaining the Mortgage Loan documents related to the Mortgage Loans in a fireproof facility intended for the safekeeping of mortgage loan files on behalf of the Trustee.

*See “—Assignment of the Mortgage Loans” above.*

**Payments on Mortgage Loans; Deposits to Collection Account and Distribution Account**

The Servicer shall establish and maintain or cause to be maintained a separate trust account (the “Collection Account”) for the benefit of the certificateholders. The Collection Account will be an Eligible Account (as defined in the Pooling Agreement). Upon receipt by the Servicer of amounts in respect of the Mortgage Loans (excluding amounts representing the Servicing Fee or other servicing compensation, reimbursement for Advances and Servicing Advances (each, as defined below), condemnation proceeds required to be released to a mortgagor, insurance proceeds to be applied to the restoration or repair of a Mortgaged Property and similar items), the Servicer will deposit such amounts in the Collection Account. Amounts so deposited may be invested in Permitted Investments (as described in the Pooling Agreement) maturing no later than one business day prior to the date on which the amount on deposit therein is required to be deposited in the Distribution Account, which is the Servicer Remittance Date (as defined below). Any investment earnings on funds on deposit in the Collection Account shall be for the benefit of the Servicer and will not be available for distribution to the certificateholders. The amount of any losses on the investment of funds on deposit in the Collection Account shall be deposited by the Servicer in the Collection Account out of its own funds with no right of reimbursement.

The Securities Administrator will establish an account (the “Distribution Account”) into which will be deposited amounts withdrawn from the Collection Account on the Servicer Remittance Date and deposited to the Distribution Account for distribution to certificateholders on a Distribution Date. The Distribution Account will be an Eligible Account, and amounts on deposit therein shall remain uninvested.

**Modifications of Mortgage Loan Terms**

In the event that a Mortgage Loan is in default or, in the judgment of the Servicer, such default is reasonably foreseeable, the Servicer, consistent with the standards set forth in the Pooling Agreement, may waive,



modify or vary any term of such Mortgage Loan (including modifications that would change the related Mortgage Rate, forgive the payment of principal or interest or extend the final maturity date of such Mortgage Loan), accept payment from the related Mortgagor of an amount less than the Stated Principal Balance in final satisfaction of such Mortgage Loan or consent to the postponement of strict compliance with any such term or otherwise grant indulgence to any related borrower.

#### **Advances**

Subject to the following limitations, the Servicer will be obligated to advance or cause to be advanced on or before each Distribution Date its own funds, or funds in the Collection Account that are not included in the Available Funds for such Distribution Date, or both (each, an "Advance"), in an amount equal to the aggregate of all payments of principal and interest (net of Servicing Fees) that were due during the related Due Period on the Mortgage Loans and that were delinquent on the related Determination Date, plus certain amounts representing assumed payments not covered by any current net income on the Mortgaged Properties acquired by foreclosure or deed in lieu of foreclosure.

Advances are required to be made only to the extent they are deemed by the Servicer to be recoverable from related late collections, insurance proceeds, condemnation proceeds or liquidation proceeds. The purpose of making such Advances is to maintain a regular cash flow to the certificateholders, rather than to guarantee or insure against losses. The Servicer will not be required, however, to make any Advances with respect to reductions in the amount of the monthly payments on the Mortgage Loans due to bankruptcy proceedings or the application of the Relief Act. Subject to the recoverability standard below, the Servicer's obligation to make Advances as to any Mortgage Loan will continue until the Mortgage Loan is paid in full or until the recovery of all liquidation proceeds thereon.

All Advances will be reimbursable to the Servicer from late collections, insurance proceeds, condemnation proceeds and liquidation proceeds from the Mortgage Loan as to which such unreimbursed Advance was made, unless such amounts are deemed to be nonrecoverable by the Servicer, in which case reimbursement will be made to the Servicer from the general funds in the Collection Account. The Servicer may recover from amounts in the Collection Account the amount of any Advance that remains unreimbursed to the Servicer from the related liquidation proceeds after the final liquidation of the related Mortgage Loan, and such reimbursement amount will not be available for remittance to the Securities Administrator for distribution on the Offered Certificates. In the event the Servicer fails in its obligation to make any required Advance, the Trustee, in its capacity as successor servicer, will be obligated to make any such Advance, to the extent required in the Pooling Agreement. The Trustee, in its capacity as successor servicer, shall be entitled to all reimbursements in the same manner and priority as the predecessor servicer.

In the course of performing its servicing obligations, the Servicer will pay all reasonable and customary "out-of-pocket" costs and expenses (including reasonable attorneys' fees and disbursements) incurred in the performance of its servicing obligations, including, but not limited to, the cost of (i) the preservation, restoration, inspection and protection of the Mortgaged Properties, (ii) any enforcement or judicial proceedings, including foreclosures, and (iii) the management and liquidation of Mortgaged Properties acquired in satisfaction of the related mortgage. Each such expenditure will constitute a "Servicing Advance." The Servicer is obligated to pay certain insurance premiums and certain ongoing expenses associated with the Mortgage Loans and incurred by the Servicer in connection with its responsibilities under the Pooling Agreement and is entitled to reimbursement therefor as provided in the Pooling Agreement. The Servicer is required to make a Servicing Advance only to the extent it is deemed by the Servicer to be recoverable from related late collections, insurance proceeds, condemnation proceeds or liquidation proceeds.

The Servicer is also obligated to accurately and fully report its borrower credit files to all three credit repositories in a timely manner.

The Servicer's right to reimbursement for Servicing Advances is limited to late collections, liquidation proceeds, condemnation proceeds, released Mortgaged Property proceeds, insurance proceeds and such other amounts as may be collected by the Servicer from the related Mortgagor or otherwise relating to the Mortgage Loan in respect of which such unreimbursed amounts are owed, unless such amounts are deemed to be nonrecoverable by

the Servicer, in which event reimbursement will be made to the Servicer from general funds in the Collection Account.

#### **Servicing and Other Compensation and Payment of Expenses**

The principal compensation to be paid to the Servicer in respect of its servicing activities (the "Servicing Fee") will be calculated at the "Servicing Fee Rate" of 0.50% per annum on the Principal Balance of each Mortgage Loan. As additional servicing compensation, the Servicer is entitled to retain any interest received in connection with any prepayment in full received by the Servicer between the first and fifteenth day of the calendar month for the related Distribution Date (the "Prepayment Interest Excess"), all service-related fees collected from mortgagors, including assumption fees, modification fees, extension fees, late payment charges and non-sufficient fund fees, and other ancillary income derived from the Mortgage Loans (but not prepayment premiums, which will be distributed to the holders of the Class P Certificates), together with any interest or other income earned on funds held in the Collection Account. For each Distribution Date, the Servicer is obligated to deposit into the Collection Account the lesser of (i) the aggregate amount of any Prepayment Interest Shortfalls for such Distribution Date and (ii) one-half of the aggregate amount of the Servicing Fees payable to the Servicer for such Distribution Date (any payments made by the Servicer in satisfaction of such obligation, "Compensating Interest").

The "Servicer Remittance Date" is the business day prior to each Distribution Date. The "Determination Date" with respect to any Distribution Date, will be the 15th day of the calendar month in which such Distribution Date occurs or, if such 15th day is not a Business Day, the Business Day immediately preceding such 15th day.

With respect to any Distribution Date and each Mortgage Loan as to which a voluntary principal prepayment in full was applied during the related Prepayment Period (other than prepayments received in the month of such Distribution Date), the "Prepayment Interest Shortfall" is an amount equal to the interest at the applicable Mortgage Rate (net of the Servicing Fee) on the amount of such principal prepayment for the number of days from the date on which the principal prepayment is applied through the last day of the calendar month preceding such Distribution Date.

A "Net Prepayment Interest Shortfall", with respect to any Distribution Date, is the amount by which the sum of the Prepayment Interest Shortfalls for such Distribution Date exceeds the sum of (i) all Prepayment Interest Excess for such Distribution Date and (ii) Compensating Interest payments made with respect to such Distribution Date. The Servicer shall not be obligated to pay Compensating Interest with respect to any interest shortfalls due to application of the Relief Act.

#### **Servicer Events of Default**

As provided in the Pooling Agreement, the Servicer may be removed as the servicer of the mortgage loans if there is a Servicer Event of Default. The Servicer Events of Default include the following events with respect to the Servicer:

1. any failure by the Servicer to remit to the Securities Administrator for distribution to the certificateholders any payment (other than Advances that are required to be made from its own funds) which continues unremedied for a period of one business day after the date upon which written notice of such failure, requiring the same to be remedied, shall have been received by the Servicer from the Depositor, the Securities Administrator or the Trustee, or received by the Servicer, the Depositor, the Securities Administrator and the Trustee from the holders of certificates entitled to at least 25% of the voting rights; or
2. any failure on the part of the Servicer duly to observe or perform in any material respect any of the covenants or agreements on the part of the Servicer contained in the Pooling Agreement which continues unremedied for a period of 30 days after the earlier of (x) the date on which written notice of such failure, requiring the same to be remedied, shall have been received by the Servicer from the Depositor or the Trustee, or received by the Servicer, the Depositor, the Securities Administrator and the Trustee from the holders of certificates entitled to at least 25% of the voting rights and (y) actual knowledge of such failure by a Servicing Officer of the Servicer; or
3. a decree or order of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or the

appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer and if such proceeding is being contested by the Servicer in good faith, such decree or order shall have remained in force undischarged or unstayed for a period of 60 days or results in the entry of an order for relief or any such adjudication or appointment; or

4. the Servicer shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

5. the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations; or

6. any failure of the Servicer to make any Advances when due and that continue unremedied until 3:00 p.m. New York time on the first business day after the date upon which written notice of such failure, requiring the same to be remedied, shall have been received by the Servicer from the Depositor, the Securities Administrator or the Trustee.

If a Servicer Event of Default described in clauses 1. through 5. occurs, then, so long as the Servicer Event of Default shall not have been remedied, the Depositor or the Trustee upon notice or actual knowledge may, and at the written direction of the holders of the certificates entitled to at least 51% of voting rights, the Trustee shall, by notice in writing to the Servicer (and to the Depositor if given by the Trustee or to the Trustee if given by the Depositor), terminate all of the rights and obligations of the Servicer in its capacity as the Servicer under the Pooling Agreement. If the Servicer Event of Default described in clause 6. occurs and notice thereof has been delivered to the Trustee, the Trustee shall, by notice in writing to the Servicer, the Seller, the Securities Administrator and the Depositor, terminate all of the rights and obligations of the Servicer in its capacity as the servicer under the Pooling Agreement.

No assurance can be given that termination of the rights and obligations of the Servicer under the Pooling Agreement would not adversely affect the servicing of the Mortgage Loans, including the delinquency experience of the Mortgage Loans. In the event the Trustee is required to act as successor servicer, it will act to become the successor servicer within 90 days of the Servicer's termination. During this 90-day period, the terminated Servicer will continue to (a) service the Mortgage Loans, although the Trustee will be obligated, to the extent required in the Pooling Agreement, to make all Advances and remit all Compensating Interest required in respect of the Mortgage Loans, and (b) receive or retain all Servicing Fees and other servicing compensation. If JPMorgan Chase Bank, National Association is terminated as the Servicer, it shall also resign as Securities Administrator, and another successor securities administrator shall be appointed as provided in the Pooling Agreement.

### **The Issuing Entity**

On the Closing Date, and until the termination of the Trust Fund pursuant to the Pooling Agreement, J.P. Morgan Mortgage Acquisition Trust 2006-NC1 will be a common law trust formed under the laws of the state of New York. The Issuing Entity will be created under the Pooling Agreement by the Depositor and its assets will consist of the Trust Fund. The Issuing Entity will not have any liabilities as of the Closing Date. The fiscal year end of the Issuing Entity will be December 31 of each year.

In addition, on the Closing Date the Supplemental Interest Trust will be created under the Pooling Agreement, and its assets will consist of the Interest Rate Swap Agreement and such assets as from time to time are deposited in the Swap Account. The Supplemental Interest Trust will be a common law trust formed under the laws of the state of New York. All assets of the Supplemental Interest Trust are payable under the Pooling Agreement to the Trust Fund. See "Description of the Certificates—The Interest Rate Swap Agreement, the Swap Provider and the Swap Account."

The Issuing Entity will not have any employees, officers or directors. The Securities Administrator, the Trustee, the Depositor, the Servicer and the Custodian will act on behalf of the Issuing Entity, and may only perform

those actions on behalf of the Issuing Entity that are specified in the Pooling Agreement, the Mortgage Loan Purchase Agreement and the Custodial Agreement.

The Trustee, on behalf of the Issuing Entity, is only permitted to take such actions as are specifically set forth in the Pooling Agreement. Under the Pooling Agreement, the Trustee on behalf of the Issuing Entity will not have the power to issue additional certificates representing interests in the Pooling Agreement. Except for transactions and activities entered into in connection with the securitization that is the subject of the Pooling Agreement, the Issuing Entity is not authorized and has no power to: borrow money or issue debt; merge with another entity, reorganize, liquidate or sell assets; or engage in any business or activities.

Each party to the Pooling Agreement will agree that it will not file an involuntary bankruptcy petition or initiate any other form of insolvency proceeding against the Trust Fund until one year and one day after the Certificates have been paid in full. No changes to these restrictions may be made without the amendment of the Pooling Agreement by Certificateholders and the other parties thereto as described under “—The Pooling Agreement—Amendment.”

If the assets of the Trust Fund are insufficient to pay the Certificateholders all principal and interest owed, holders of Subordinate Certificates will not receive all of their expected payments of interest and principal and will suffer a loss. The Issuing Entity, as a common law trust, is not eligible to be a debtor in a bankruptcy proceeding. In the event of bankruptcy of the Sponsor, the Depositor or any Originator, it is not anticipated that the Trust Fund would become part of the bankruptcy estate or subject to the bankruptcy control of a third party.

#### **The Trustee and the Securities Administrator**

*Trustee.* U.S. Bank National Association, a national banking association, will be the Trustee under the Pooling Agreement. The Trustee will be paid an annual fee by the Securities Administrator from the Securities Administrator Fee. The Trustee’s “Corporate Trust Office” is located at 209 S. LaSalle Street, Suite 300, Chicago, Illinois 60604, Attention: JPMAC 2006-NC1, or at such other addresses as the Trustee may designate from time to time. The Trustee will be entitled to reimbursement from the Trust Fund for certain expenses, indemnities and other amounts prior to payment of any amounts to Certificateholders.

*U.S. Bank General.* U.S. Bank National Association (“U.S. Bank”) will act as trustee under the pooling and servicing agreement. U.S. Bank is a national banking association and a wholly-owned subsidiary of U.S. Bancorp, which is currently ranked as the sixth largest bank holding company in the United States with total assets exceeding \$209 billion as of December 31, 2005. As of December 31, 2005, U.S. Bancorp served approximately 13.4 million customers, operated 2,419 branch offices in 24 states and had over 51,000 employees. A network of specialized U.S. Bancorp offices across the nation, inside and outside its 24-state footprint, provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

*Corporate Trust General.* U.S. Bank has one of the largest corporate trust businesses in the country with offices in 31 U.S. cities. The pooling and servicing agreement will be administered from U.S. Bank’s corporate trust office located at 209 South LaSalle Street, Suite 300, Chicago, Illinois 60604.

U.S. Bank has provided corporate trust services since 1924. As of December 31, 2005, U.S. Bank was acting as trustee with respect to 54,019 issuances of securities with an aggregate outstanding principal balance of over \$1.5 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

On December 30, 2005, U.S. Bank purchased the corporate trust and structured finance trust services businesses of Wachovia Corporation. Following the closing of the acquisition, the Wachovia affiliate named as fiduciary or agent, as applicable, under each client agreement will continue in that role until U.S. Bank succeeds to that role in accordance with the terms of the governing instrument or agreement and applicable law.

As of December 31, 2005, U.S. Bank (and its affiliate U.S. Bank Trust National Association) was acting as trustee on 343 issuances of sub-prime mortgage-backed securities with an outstanding aggregate principal balance of approximately \$90,186,200,000.

*Securities Administrator.* JPMorgan Chase Bank, National Association, as Securities Administrator, will perform certain administrative duties with respect to the Certificates including acting as authentication agent, certificate registrar, calculation agent, paying agent, and the party responsible for (i) preparing distribution statements and tax information for Certificateholders and preparing tax and SEC filings for the Trust and (ii) opening and holding the Distribution Account, the Swap Account and the Net WAC Reserve Fund on behalf of the Trust Fund. The Securities Administrator's "Corporate Trust Office" for purposes of presentment and surrender of the Certificates for final payment thereon is 2001 Bryan Street, 9<sup>th</sup> Floor, Dallas, Texas, 75201, Attention: WSS – Structured Finance Payment Area. The Securities Administrator will be entitled to reimbursement from the Trust Fund for certain expenses, indemnities and other amounts prior to payment of any amounts to Certificateholders.

The Securities Administrator is JPMorgan Chase Bank, National Association, a national banking association organized under the laws of the United States and a wholly owned subsidiary of J.P. Morgan Chase & Co., a holding company with assets in excess of \$1.2 trillion and operations in more than 50 countries. The operations include investment banking, financial services for consumers and businesses, financial transaction processing, asset and wealth management and private equity. JPMorgan Chase Bank, National Association, acts as Securities Administrator through its Worldwide Securities Services division of the Treasury & Securities Services line of business. JPMorgan Worldwide Securities Services offers a full range of trust and administrative services for prime and sub-prime asset-backed transactions from its office at 4 New York Plaza, 6th Floor, New York, New York 10004 and other offices worldwide.

Asset classes for which JPMorgan Worldwide Securities Services has been responsible for calculating or making distributions include residential and commercial mortgages, credit cards, auto loans, equipment loans and leases, home equity loans, trade receivables, commercial leases, franchise loans, and student loans.

Since 1990, JPMorgan Chase Bank, National Association or its predecessors have been responsible for calculating and making distributions to holders of asset-backed securities. As of December 31, 2005, JPMorgan Worldwide Securities Services performed such functions for approximately 809 asset-backed transactions, including about 418 residential mortgage receivables transactions.

Under the terms of the pooling and servicing agreement, JPMorgan Chase Bank, National Association, in its capacity as Securities Administrator, is responsible for securities administration, which includes pool performance calculations, distribution calculations, the preparation of monthly distribution reports, and the preparation and filing of tax returns on behalf of the trust REMICs, monthly reports on Form 10-D (based on information included in the monthly distribution date statements and other information provided by other transaction parties) and annual reports on Form 10-K that are required to be filed with the Securities and Exchange Commission on behalf of the issuing entity.

JPMorgan Chase Bank, National Association, will also act as paying agent and certificate registrar for the certificates.

The Securities Administrator shall be entitled to a monthly fee (the "Securities Administrator Fee") calculated at 0.004% per annum (the "Securities Administrator Fee Rate") on the aggregate Stated Principal Balance of the Mortgage Loans: provided, that the Securities Administrator will be paid a minimum Securities Administrator Fee of \$500 per month.

The Securities Administrator will serve as paying agent and certificate registrar. The Securities Administrator will be responsible under the Pooling Agreement for preparing the monthly distribution date statement to Certificateholders, providing certain information available to the Securities Administrator to Certificateholders to enable them to prepare their tax returns and preparing and filing the Trust Fund's tax information returns. The Securities Administrator will prepare the Distribution Date statements, tax returns, tax information and required reports based solely on information provided by the Servicer by the time such information is required to be delivered to the Securities Administrator and will make payments to the Swap Provider based solely on information provided by the Servicer. The Securities Administrator will not be required to confirm, verify, recalculate or recompute any such information, but will be entitled to rely conclusively on such information. The Securities Administrator will make the distribution date statement available each month to Certificateholders.



*Limitation of Liability and Duties.* Neither the Securities Administrator nor the Trustee will have any liability arising out of or in connection with the Pooling Agreement, except that each such entity may be held liable for its own negligent action or failure to act, or for its own willful misconduct; *provided, however*, that neither the Securities Administrator nor the Trustee will be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Certificateholders in an Event of Default, and neither the Securities Administrator nor the Trustee will be deemed to have notice of any Event of Default, Swap Default or Swap Termination unless a responsible officer of the Securities Administrator or the Trustee, as applicable, has actual knowledge of the Event of Default, Swap Default or Swap Termination or written notice of an Event of Default, Swap Default or Swap Termination is received by the Securities Administrator or the Trustee at the applicable Corporate Trust Office. Neither the Securities Administrator nor the Trustee is required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Pooling Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of those funds or adequate indemnity against risk or liability is not reasonably assured to it.

The Trustee will have no duties under the Pooling Agreement with respect to any claim or notice it may receive or which may be alleged to have been delivered to or served upon it by the parties as a consequence of the assignment of any Mortgage Loan under the Pooling Agreement; however, the Trustee will remit to the Servicer and the Securities Administrator any claim or notice it may receive which is delivered to the applicable Corporate Trust Office and which contains information sufficient to permit the Trustee to make a determination that the real property to which such document relates is a Mortgaged Property.

None of the provisions in the Pooling Agreement shall in any event require the Trustee or the Securities Administrator to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer, or of the Swap Provider under the Interest Rate Swap Agreement. Neither the Securities Administrator nor the Trustee will be responsible for any act or omission of the Servicer, the Depositor, the Swap Provider, the Trust Oversight Manager or any other party.

The Trustee will not be responsible for (a) any recording or filing of any agreement or of any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording or filing which may have been made, or the validity, priority, perfection or sufficiency of the security for the Certificates, (b) the payment of any insurance related to the Certificates or the Mortgage Loans or (c) the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of the Trust Fund, other than from funds available in the Collection Account or the Distribution Account. The Trustee is not responsible for the validity of the Pooling Agreement, the Interest Rate Swap Agreement or the Certificates or the validity, priority, perfection or sufficiency of the security for the Certificates.

*Expenses and Reimbursements.* Each of the Securities Administrator and the Trustee will be entitled to reimbursement of all reasonable expenses, disbursements and advances incurred or made by such entity in accordance with the Pooling Agreement, except for expenses, disbursements and advances incurred by the Securities Administrator in the routine administration of its respective duties under the Pooling Agreement and except for any expenses arising from its negligence, bad faith or willful misconduct. Each of the Securities Administrator and the Trustee will also be entitled to indemnification from the Trust Fund for any loss, liability or expense incurred, arising out of, or in connection with, the acceptance or administration of the trusts created under the Pooling Agreement or in connection with the performance of its duties under the Pooling Agreement, the Interest Rate Swap Agreement, or the Custodial Agreement, including the costs and expenses of defending itself against any claim in connection with the exercise or performance of any of its powers or duties under the Pooling Agreement.

The Securities Administrator and the Trustee will be entitled to reimbursement for its expenses and indemnification amounts as described above, prior to distribution of any amounts to Certificateholders; *provided* that such reimbursement does not exceed a specified dollar limitation set forth in the Pooling Agreement. Any reimbursement due the Securities Administrator or the Trustee above such limitation for any given year or any previous year will be paid from any remaining Net Monthly Excess Cashflow remaining for such application as described under “—*Overcollateralization Provisions*” above.

*Resignation and Removal of Trustee.* The Trustee may at any time resign and be discharged from the trust created under the Pooling Agreement by giving written notice thereof to the Depositor, the Seller, the Servicer and

the Rating Agencies. Upon receiving such notice of resignation of the Trustee, the Depositor shall promptly appoint a successor Trustee that meets the requirements in the Pooling Agreement, by written instrument, in duplicate, one copy of which instrument shall be delivered to each of the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and having accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of the Pooling Agreement or if at any time the Trustee shall be legally unable to act, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Depositor may remove the Trustee.

The holders of Certificates entitled to at least 51% of the voting rights may at any time remove the Trustee and appoint a successor trustee by written instrument or instruments, in triplicate, signed by such Holders or their attorneys-in-fact duly authorized, one complete set of which instruments shall be delivered to the Depositor, one complete set to the Trustee so removed and one complete set to the successor so appointed. A copy of such instrument shall be delivered to the Certificateholders, the Trustee and the Servicer by the Depositor.

Any resignation or removal of the Trustee and appointment of a successor Trustee shall not become effective until acceptance of appointment by the successor Trustee, as provided in the Pooling Agreement.

#### **The Trust Oversight Manager**

Pentalpha Surveillance LLC, as Trust Oversight Manager (the "Trust Oversight Manager"), will monitor the performance of the Servicer, and make recommendations to the Servicer regarding certain delinquent and defaulted Mortgage Loans, subject to a Trust Oversight Agreement (the "Trust Oversight Agreement") being entered into by the Depositor, the Trust Oversight Manager and the Servicer on or prior to the Closing Date. The Trust Oversight Manager will rely upon mortgage loan data that is provided to it by the Servicer in performing its advisory and monitoring functions. The Trust Oversight Manager shall be entitled to a monthly fee (the "Trust Oversight Manager Fee") until (i) the termination of the Trust, (ii) the termination of the Servicer's rights and obligations under the Pooling Agreement or (iii) its removal by the Depositor or its assigns and the appointment of a successor trust oversight manager. Such fee will be paid by the Trust and will be equal to 0.015% per annum (the "Trust Oversight Manager Fee Rate") on the aggregate Stated Principal Balance of the Mortgage Loans, subject to a monthly minimum of \$1,250.

The Trust Oversight Manager will be entitled to reimbursement from the Trust Fund for certain expenses, indemnities and other amounts prior to payment of any amounts to Certificateholders.

#### **Voting Rights**

The Class C, Class P and Class R Certificates will each be allocated 1% of all voting rights and the other classes of Certificates will be allocated 97% of all voting rights under the Pooling Agreement. Voting rights will be allocated among these other classes of Certificates in proportion to their respective Class Principal Amounts and among Certificates of such class in proportion to their Percentage Interests. The "Percentage Interest" of a Certificate will be a fraction, expressed as a percentage, the numerator of which is that Certificate's Certificate Principal Amount and the denominator of which is the applicable Class Principal Amount.

#### **Compliance with Applicable Servicing Criteria and Servicer Attestation**

The Pooling Agreement provides that on or before a specified date in each year for which the Depositor is required to file a 10-K, each party participating in the servicing function of the trust provide a report on an assessment of compliance with the servicing criteria set forth in Item 1122 of Regulation AB. Together with the assessment of compliance, a firm of independent public accountants will be required to furnish an attestation report compliant with Item 1122 of Regulation AB on the party's assessment of compliance with the applicable servicing criteria as an exhibit.

The Pooling Agreement also provides for delivery to the Trustee, the Depositor and the Securities Administrator, on or before a specified date in each, of an annual officer's certificate to the effect that the Servicer has fulfilled its obligations under the Pooling Agreement throughout the preceding year.

#### **Amendment**

The Pooling Agreement may be amended by the Depositor, the Seller, the Servicer, the Securities Administrator and the Trustee, with the consent of the Swap Provider and the NIMS Insurer, if any, but without the consent of any of the certificateholders to cure any ambiguity, to correct, modify or supplement any provision in the Pooling Agreement, to make any other provisions with respect to matters or questions arising under the Pooling Agreement which are not inconsistent with the provisions of the Pooling Agreement, or to maintain the qualification of the Trust as a REMIC or to comply with the provisions of Regulation AB, provided that the action will not adversely affect in any material respect the interests of any certificateholder. The Pooling Agreement may also be amended by the Depositor, the Seller, the Servicer, the Securities Administrator and the Trustee, with the consent of the Swap Provider and the NIMS Insurer, if any, and the holders of certificates evidencing not less than 66% of the voting rights for any purpose, but that no amendment may:

- reduce in any manner the amount of or delay the timing of, payments received on the Mortgage Loans which are required to be distributed on any certificate without the consent of the holder of the certificate,
- adversely affect in any material respect the interests of the holders of any class of certificates in a manner other than as described in the preceding bullet point, without the consent of the holders of certificates of that class evidencing not less than 66% of the aggregate voting rights of that class, or
- reduce the percentage of voting rights required by the preceding bullet point for the consent to any amendment without the consent of the holders of all certificates covered by the Pooling Agreement then outstanding.

However, the Trustee, among other things, need not consent to any amendment of the Pooling Agreement unless it shall first have received an opinion of counsel to the effect that the amendment will not cause the Trust to fail to qualify as a REMIC at any time that the related certificates are outstanding.

#### **YIELD, PREPAYMENT AND WEIGHTED AVERAGE LIFE**

The yields to maturity of the Offered Certificates will be sensitive to defaults on the Mortgage Loans. If a purchaser of an Offered Certificate calculates its anticipated yield based on an assumed rate of default and amount of losses that is lower than the default rate and amount of losses actually incurred, its actual yield to maturity will be lower than that so calculated. In general, the earlier a loss occurs, the greater is the effect on an investor's yield to maturity. There can be no assurance as to the delinquency, foreclosure or loss experience with respect to the Mortgage Loans. Because the Mortgage Loans were underwritten in accordance with standards less stringent than those generally acceptable to Fannie Mac and Freddie Mac with regard to a borrower's credit standing and repayment ability, the risk of delinquencies with respect to, and losses on, the Mortgage Loans will be greater than that of mortgage loans underwritten in accordance with Fannie Mae and Freddie Mac standards.

The rate of principal payments, the aggregate amount of distributions and the yields to maturity of the Offered Certificates will be affected by the rate and timing of payments of principal on the Mortgage Loans. In particular, the yields to maturity of each class of Senior Certificates will be most affected by the rate and timing of payments of principal on the Mortgage Loans in the related Group. The rate of principal payments on the Mortgage Loans will in turn be affected by the amortization schedules of the Mortgage Loans and by the rate of principal prepayments (including for this purpose prepayments resulting from refinancing, liquidations of the Mortgage Loans due to defaults, casualties or condemnations and purchases by the Originator or the Servicer). Because certain of the Mortgage Loans contain prepayment premiums, the rate of principal payments may be less than the rate of principal payments for Mortgage Loans that did not have prepayment premiums. The Mortgage Loans are subject to the "due-on-sale" provisions included therein that provide that the Mortgage Loan is assumable by a creditworthy purchaser of the related Mortgaged Property. See "Description of the Mortgage Pool" herein.

Prepayments, liquidations and purchases of the Mortgage Loans (including any optional purchase) will result in distributions on the Offered Certificates of principal amounts that would otherwise be distributed over the remaining terms of the Mortgage Loans. Since the rate of payment of principal on the Mortgage Loans will depend on future events and a variety of other factors, no assurance can be given as to such rate or the rate of principal prepayments. The extent to which the yield to maturity of a class of Offered Certificates may vary from the anticipated yield will depend upon the degree to which such class of Offered Certificates is purchased at a discount or premium. Further, an investor should consider the risk that, in the case of any Offered Certificate purchased at a discount, a slower than anticipated rate of principal payments (including prepayments) on the Mortgage Loans could result in an actual yield to such investor that is lower than the anticipated yield and, in the case of any Offered Certificate purchased at a premium, a faster than anticipated rate of principal payments on the Mortgage Loans could result in an actual yield to such investor that is lower than the anticipated yield.

The rate of principal payments (including prepayments) on groups of mortgage loans may vary significantly over time and may be influenced by a variety of economic, geographic, social and other factors, including changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties and servicing decisions. In general, if prevailing interest rates were to fall significantly below the Mortgage Rates on the Mortgage Loans, such Mortgage Loans could be subject to higher prepayment rates than if prevailing interest rates were to remain at or above the Mortgage Rates on such Mortgage Loans. Conversely, if prevailing interest rates were to rise significantly, the rate of prepayments on such Mortgage Loans would generally be expected to decrease. The Mortgage Loans may be subject to a greater rate of principal prepayments in a low interest rate environment. For example, if prevailing interest rates were to fall, mortgagors may be inclined to refinance their Mortgage Loans with a fixed-rate loan to "lock in" a lower interest rate or to refinance their Mortgage Loans with other more competitive adjustable-rate mortgage loans. The existence of the applicable Periodic Rate Cap and Maximum Rate with respect to the adjustable-rate Mortgage Loans also may affect the likelihood of prepayments resulting from refinancings. No assurances can be given as to the rate of prepayments on the Mortgage Loans in stable or changing interest rate environments. In addition, substantially all of the adjustable-rate Mortgage Loans will not have their initial Adjustment Date for two or three years after the origination thereof. The prepayment experience of these delayed first adjustment Mortgage Loans may differ from that of the other Mortgage Loans. The delayed first adjustment Mortgage Loans may be subject to greater rates of prepayments as they approach their initial Adjustment Dates even if market interest rates are only slightly higher or lower than the Mortgage Rates on such Mortgage Loans as borrowers seek to avoid changes in their monthly payments.

The interest-only feature of the Interest Only Mortgage Loans may reduce the perceived benefits of refinancing to take advantage of lower market interest rates or to avoid adjustments in the Mortgage Rates. However, as a Mortgage Loan with such a feature nears the end of its interest-only period, the borrower may be more likely to refinance the Mortgage Loan, even if market interest rates are only slightly less than the Mortgage Rate in order to avoid the increase in the monthly payments to amortize the Mortgage Loan over its remaining life.

Except in the circumstances described in this prospectus supplement, principal distributions on the Group 1 Certificates relate to principal payments on the Group 1 Mortgage Loans and principal distributions on the Group 2 Certificates relate to principal payments on the Group 2 Mortgage Loans.

Approximately 61.55%, 68.06% and 64.99% of the Mortgage Loans in Group 1, Group 2 and the Aggregate Pool, respectively (in each case, by aggregate Principal Balance of the related Group or Aggregate Pool, as applicable, as of the Cut-off Date) provide for payment by the borrower of a prepayment premium in limited circumstances on certain prepayments. The holders of the Class P Certificates will be entitled to all prepayment premiums received on the Mortgage Loans, and such amounts will not be available for distribution on the other classes of certificates. Under certain circumstances, as described in the Pooling Agreement, the Servicer may waive the payment of any otherwise applicable prepayment premium. Investors should conduct their own analysis of the effect, if any, that the prepayment premiums, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans. The Depositor makes no representations as to the effect that the prepayment premiums, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans.

To the extent the Net WAC Rate is paid on the Offered Certificates, a shortfall in interest distributions to these certificateholders equal to the Net WAC Rate Carryover Amount will occur. Such shortfall will only be payable from amounts paid under the Interest Rate Swap Agreement, but only in the priorities described under

“Description of the Certificates—The Interest Rate Swap Agreement, the Swap Provider and the Swap Account” in this prospectus supplement, and the Net Monthly Excess Cashflow, but only to the extent that the Overcollateralization Target Amount has been reached or maintained and certain other amounts have been paid. See “Description of the Certificates—Overcollateralization Provisions” in this prospectus supplement.

#### **Additional Information**

The Depositor has filed certain yield tables and other computational materials with respect to the Offered Certificates with the Securities and Exchange Commission (the “Commission”) and may file certain additional yield tables and other computational materials with respect to the Offered Certificates with the Commission pursuant to Rule 433. Such tables and materials were prepared by the Underwriter at the request of certain prospective investors, based on assumptions provided by, and satisfying the special requirements of, such prospective investors. Such tables and assumptions may be based on assumptions that differ from the Structuring Assumptions (as defined herein). Accordingly, such tables and other materials may not be relevant to or appropriate for investors other than those specifically requesting them.

#### **Weighted Average Lives**

The timing of changes in the rate of principal prepayments on the Mortgage Loans may significantly affect an investor’s actual yield to maturity, even if the average rate of principal prepayments is consistent with such investor’s expectation. In general, the earlier a principal prepayment on the Mortgage Loans occurs, the greater the effect of such principal prepayment on an investor’s yield to maturity. The effect on an investor’s yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Offered Certificates may not be offset by a subsequent like decrease (or increase) in the rate of principal prepayments.

The weighted average life of an Offered Certificate is the average amount of time that will elapse from the Closing Date, until each dollar of principal is repaid to the investors in such Offered Certificate. Because it is expected that there will be prepayments and defaults on the Mortgage Loans, the actual weighted average lives of the Offered Certificates are expected to vary substantially from the weighted average remaining terms to stated maturity of the Mortgage Loans as set forth herein under “Description of the Mortgage Pool.”

The Final Scheduled Distribution Date for the Offered Certificates is as set forth in this prospectus supplement under “Description of the Certificates—Final Scheduled Distribution Date.” The weighted average lives of the Offered Certificates are likely to be shorter than would be the case if payments actually made on the Mortgage Loans conformed to the foregoing assumptions, and the actual final Distribution Date with respect to the Offered Certificates could occur significantly earlier than the Final Scheduled Distribution Date because

- prepayments are likely to occur,
- excess cashflow, if any, will be applied as principal of the Senior Certificates and the Subordinate Certificates as described herein,
- the Overcollateralization Target Amount may change as described in the Pooling Agreement, and
- the Servicer or the NIMS Insurer, if any, may cause a termination of the Trust as provided herein.

Prepayments of mortgage loans are commonly measured relative to a prepayment standard or model. The model used in this prospectus supplement (the “Prepayment Assumption”) assumes a prepayment rate for the fixed rate Mortgage Loans of 100% of the Fixed Rate Prepayment Vector and a prepayment rate for the adjustable rate Mortgage Loans of 100% of the Adjustable Rate Prepayment Vector.

- (i) A Fixed Rate Prepayment Vector assumes a constant prepayment rate (“CPR”) of 4.00% per annum of the then unpaid principal balance of such Mortgage Loans in the first month of the life of such Mortgage Loans and an additional approximately 1.4545% (precisely 16/11%) per annum in each month thereafter until the 12<sup>th</sup> month. Beginning in the 12<sup>th</sup> month and in each month



thereafter during the life of such Mortgage Loans, such prepayment vector assumes a 20% per annum.

- (ii) An Adjustable Rate Prepayment Vector assumes a CPR of 2.0% per annum of the then unpaid principal balance of such Mortgage Loans in the first month of the life of such Mortgage Loans and an additional approximately 2.545% (precisely 28%/11) per annum in each month thereafter until the 12th month. Beginning in the 12th month and until and including the 22nd month, such prepayment vector assumes a CPR of 30% per annum. Beginning in the 23rd month and until and including the 27th month, such prepayment vectors assumes a CPR of 50% per annum. Beginning in the 28th month and in each month thereafter during the life of such Mortgage Loans, such prepayment vectors assumes a CPR of 35% per annum provided however that the prepayment rate will not exceed 90% CPR in any period for any given percentage of the adjustable rate prepayment vector.

CPR is a prepayment assumption that represents a constant assumed rate of prepayment each month relative to the then outstanding principal balance of a group of mortgage loans for the life of such mortgage loans. The model does not purport to be either an historical description of the prepayment experience of any group of mortgage loans or a prediction of the anticipated rate of prepayment of any mortgage loans, including the Mortgage Loans to be included in the Trust. Each of the "Prepayment Scenarios" in the table below assumes the respective percentages of the applicable Prepayment Assumption, indicated for such scenario.

The tables entitled "Percentage of Initial Class Principal Amount of the Offered Certificates Outstanding at the Following Prepayment Scenarios" were prepared on the basis of the assumptions in the following paragraph and the table set forth below. There are certain differences between the loan characteristics included in such assumptions and the characteristics of the actual Mortgage Loans. Any such discrepancy may have an effect upon the percentages of Initial Class Principal Amounts outstanding and weighted average lives of the Offered Certificates set forth in that table. In addition, since the actual Mortgage Loans in the Trust will have characteristics that differ from those assumed in preparing the tables set forth below, the distributions of principal of the Offered Certificates may be made earlier or later than indicated in the table.

The percentages and weighted average lives in the tables entitled "Percentage of Initial Class Principal Amount of the Offered Certificates Outstanding at the Following Prepayment Scenarios" were determined assuming that (the "Structuring Assumptions"):

- the Mortgage Loans have the characteristics set forth in the tables below,
- the closing date for the Offered Certificates occurs on April 27, 2006,
- distributions on the Offered Certificates are made on the 25th day of each month regardless of the day on which the Distribution Date actually occurs, commencing in May 2006,
- the prepayment rates are those indicated in the "Prepayment Scenarios" table below,
- the Originator is not required to substitute or repurchase any or all of the Mortgage Loans pursuant to the Pooling Agreement and no optional termination is exercised, except with respect to the entries identified by the row captioned "Weighted Average Life (years) to Clean-Up Call" in the tables below,
- scheduled payments for all Mortgage Loans are received on the first day of each month commencing in May 2006, the principal portion of such payments is computed prior to giving effect to prepayments received in such month and there are no losses or delinquencies with respect to such Mortgage Loans,
- all related Mortgage Loans prepay at the same rate and all such payments are treated as prepayments in full of individual Mortgage Loans, with no shortfalls in collection of interest,
- such prepayments are received on the last day of each month commencing in the month of the Closing Date,

- the original Principal Balance of the Class P Certificates is equal to \$0,
- the Fixed Swap Payment is calculated based on a schedule, a copy of which is attached hereto as Annex II and no Swap Termination Payment is made,
- the Certificate Index is at all times equal to [ ]%,
- Six-Month LIBOR is at all times equal to [ ]%,
- the Mortgage Rate for each adjustable-rate Mortgage Loan is adjusted on its next Adjustment Date (and on subsequent Adjustment Dates, if necessary) to equal the sum of (a) the assumed level of the Six-Month LIBOR and (b) the respective Gross Margin (such sum being subject to the applicable Periodic Rate Caps, Minimum Mortgage Rates and Maximum Mortgage Rates), and
- the Administrative Fee rate is initially approximately 0.525% per annum, subject to adjustment.

Nothing contained in the foregoing assumptions should be construed as a representation that the Mortgage Loans will not experience delinquencies or losses.

#### Prepayment Scenarios

	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>	<u>Scenario IV</u>	<u>Scenario V</u>
Fixed-Rate Mortgage Loans <sup>(1)</sup> .....	0%	50%	100%	150%	200%
Adjustable-Rate Mortgage Loans <sup>(2)</sup> .....	0%	50%	100%	150%	200%

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<sup>(1)</sup> Percentage of the Prepayment Assumption.

<sup>(2)</sup> Percentage of the Prepayment Assumption.

## ASSUMED MORTGAGE LOAN CHARACTERISTICS

Group	Aggregate Principal Balance (\$)	Current Mortgage Rate (%)	Original Term to Maturity (months)	Remaining Term to Maturity (months)	Margin (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Subsequent Periodic Rate Cap (%)	Original Interest Only Period (months)	Original Amortization Term (months)
1	71,901,764.55	9.133	360	358	6.263	16.094	9.133	22	1.486	1.486	0	360
1	283,220.01	9.500	360	358	6.550	16.500	9.500	22	1.500	1.500	0	360
1	3,329,235.88	7.977	360	358	6.136	14.977	7.977	22	1.500	1.500	0	360
1	2,208,924.69	9.235	360	358	6.242	16.130	9.235	22	1.500	1.500	0	360
1	1,910,995.34	8.973	360	358	6.329	15.973	8.973	22	1.500	1.500	0	360
1	1,685,128.31	8.706	360	358	6.232	15.706	8.706	22	1.500	1.500	0	360
1	365,180.91	8.550	360	359	6.050	15.550	8.550	23	1.500	1.500	0	360
1	492,739.31	9.800	360	358	5.997	16.800	9.800	22	1.500	1.500	0	360
1	14,587,531.68	8.736	360	358	6.318	15.736	8.736	22	1.500	1.500	0	360
1	61,735,418.60	8.632	360	358	6.185	15.632	8.632	22	1.500	1.500	0	480
1	1,792,305.25	8.663	360	358	6.240	15.663	8.663	22	1.500	1.500	0	480
1	432,115.55	9.008	360	358	6.413	16.008	9.008	22	1.500	1.500	0	480
1	3,728,279.01	8.664	360	358	6.231	15.664	8.664	22	1.500	1.500	0	480
1	5,338,652.40	8.851	360	358	6.125	15.851	8.851	22	1.500	1.500	0	480
1	8,525,882.79	8.074	360	358	6.110	15.074	8.074	22	1.500	1.500	0	480
1	10,914,374.87	8.096	360	358	6.135	15.096	8.096	22	1.500	1.500	0	480
1	345,386.16	8.302	360	358	6.237	15.302	8.302	22	1.500	1.500	0	480
1	1,812,948.68	7.109	360	357	6.086	14.109	7.109	21	1.500	1.500	0	480
1	127,867,377.12	7.896	360	358	6.186	14.896	7.896	22	1.500	1.500	0	480
1	5,560,448.68	7.910	360	358	6.116	14.881	7.910	22	1.486	1.486	60	300
1	684,250.00	8.280	360	358	6.283	15.280	8.280	22	1.500	1.500	60	300
1	154,749.99	7.775	360	358	6.050	14.775	7.775	22	1.500	1.500	60	300
1	162,000.00	7.450	360	358	6.300	14.450	7.450	22	1.500	1.500	60	300
1	1,665,100.00	7.777	360	358	6.060	14.777	7.777	22	1.500	1.500	60	300
1	79,360.00	8.375	360	358	6.050	15.375	8.375	22	1.500	1.500	60	300
1	584,800.00	6.792	360	357	5.992	13.792	6.792	21	1.500	1.500	60	300
1	209,000.00	9.800	360	358	6.300	16.800	9.800	22	1.500	1.500	60	300
1	10,780,859.20	7.547	360	358	6.084	14.547	7.547	22	1.500	1.500	60	300
1	3,878,109.27	7.919	360	356	6.059	14.856	7.919	32	1.469	1.469	0	360
1	173,675.80	7.450	360	353	3.900	14.450	7.450	29	1.500	1.500	0	360
1	162,996.14	8.406	360	358	6.337	15.406	8.406	34	1.500	1.500	0	360
1	115,833.35	12.000	360	358	5.950	19.000	12.000	34	1.500	1.500	0	360
1	184,485.30	7.534	360	356	5.965	14.534	7.534	32	1.500	1.500	0	360
1	1,048,580.53	9.012	360	358	6.360	16.012	9.012	34	1.500	1.500	0	360
1	2,242,584.60	8.193	360	357	6.137	15.193	8.193	33	1.500	1.500	0	480
1	1,292,733.89	7.258	360	357	5.979	14.258	7.258	33	1.500	1.500	0	480
1	246,141.11	7.300	360	356	5.950	14.300	7.300	32	1.500	1.500	0	480
1	1,540,142.95	7.711	360	357	6.013	14.711	7.711	33	1.500	1.500	0	480
1	2,187,999.74	6.962	360	356	5.976	13.962	6.962	32	1.500	1.500	60	300
1	415,200.00	8.990	360	357	6.050	15.990	8.990	33	1.500	1.500	60	300
1	784,250.00	7.377	360	357	6.090	14.377	7.377	33	1.500	1.500	60	300
1	4,737,514.35	7.401	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	358,663.16	7.293	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	1,967,424.35	7.081	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	1,278,737.47	8.215	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	370,606.68	8.227	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	1,336,099.09	7.055	360	355	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	1,762,701.92	7.427	360	356	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	83,944.17	7.525	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	204,773.27	6.700	360	355	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	21,334,995.10	6.903	360	356	N/A	N/A	N/A	N/A	N/A	N/A	0	480
1	16,537,616.67	7.973	346	343	N/A	N/A	N/A	N/A	N/A	N/A	0	346
1	292,573.30	7.600	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
1	2,900,162.22	7.560	349	345	N/A	N/A	N/A	N/A	N/A	N/A	0	349
1	53,960.04	10.850	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
1	276,348.98	5.990	240	234	N/A	N/A	N/A	N/A	N/A	N/A	0	240
1	783,474.10	7.664	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
1	2,451,613.59	8.535	354	352	N/A	N/A	N/A	N/A	N/A	N/A	0	354
1	2,366,599.07	6.950	349	345	N/A	N/A	N/A	N/A	N/A	N/A	0	349
1	1,880,822.06	7.722	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
1	115,558.73	7.100	240	238	N/A	N/A	N/A	N/A	N/A	N/A	0	240
1	1,321,251.72	6.223	341	336	N/A	N/A	N/A	N/A	N/A	N/A	0	341

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Group	Aggregate Principal Balance (\$)	Current Mortgage Rate (%)	Original Term to Maturity (months)	Remaining Term to Maturity (months)	Margin (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Subsequent Periodic Rate Cap (%)	Original Interest Only Period (months)	Original Amortization Term (months)
1	23,145,046.94	7.407	355	352	N/A	N/A	N/A	N/A	N/A	N/A	0	355
2	75,678,201.09	8.976	360	358	6.292	15.951	8.976	22	1.489	1.489	0	360
2	325,776.85	11.210	360	358	6.142	18.210	11.210	22	1.500	1.500	0	360
2	356,507.01	11.235	360	358	6.895	18.235	11.235	22	1.500	1.500	0	360
2	4,011,907.80	8.925	360	358	6.242	15.925	8.925	22	1.500	1.500	0	360
2	2,323,005.76	9.633	360	358	6.341	16.633	9.633	22	1.500	1.500	0	360
2	1,663,441.95	8.858	360	358	6.128	15.858	8.858	22	1.500	1.500	0	360
2	1,943,925.81	8.555	360	358	6.340	15.555	8.555	22	1.500	1.500	0	360
2	14,490,414.52	8.772	360	358	6.359	15.744	8.772	22	1.500	1.500	0	360
2	41,649,314.35	8.790	360	358	6.163	15.790	8.790	22	1.500	1.500	0	480
2	483,117.38	9.430	360	358	6.121	16.430	9.430	22	1.500	1.500	0	480
2	5,666,330.51	8.156	360	357	6.172	15.156	8.156	21	1.500	1.500	0	480
2	2,212,066.51	9.404	360	357	6.159	16.404	9.404	21	1.500	1.500	0	480
2	4,417,161.96	8.093	360	357	6.101	15.093	8.093	21	1.500	1.500	0	480
2	6,387,661.90	8.283	360	358	6.235	15.283	8.283	22	1.500	1.500	0	480
2	65,571.02	8.900	360	358	5.950	15.900	8.900	22	1.500	1.500	0	480
2	639,583.74	8.515	360	357	6.050	15.515	8.515	21	1.500	1.500	0	480
2	183,825,222.35	7.747	360	358	6.186	14.747	7.747	22	1.500	1.500	0	480
2	11,025,598.97	8.644	360	358	6.097	15.628	8.644	22	1.492	1.492	60	300
2	757,000.00	7.277	360	358	6.152	14.277	7.277	22	1.500	1.500	60	300
2	893,499.99	7.809	360	358	6.050	14.809	7.809	22	1.500	1.500	60	300
2	26,315,455.91	7.476	360	358	6.114	14.476	7.476	22	1.500	1.500	60	300
2	2,995,468.42	7.569	360	355	6.094	14.529	7.569	31	1.500	1.500	0	360
2	119,812.95	9.250	360	357	6.700	15.250	9.250	33	1.500	1.500	0	360
2	85,029.34	6.450	360	354	5.950	13.450	6.450	30	1.500	1.500	0	360
2	1,707,147.31	8.657	360	358	6.092	15.657	8.657	34	1.500	1.500	0	360
2	1,085,729.37	8.566	360	357	6.207	15.566	8.566	33	1.500	1.500	0	480
2	161,949.77	7.725	360	359	5.950	14.725	7.725	35	1.500	1.500	0	480
2	929,440.48	7.949	360	358	6.420	14.949	7.949	34	1.500	1.500	0	480
2	4,175,473.56	6.322	360	356	5.908	13.322	6.322	32	1.500	1.500	60	300
2	423,500.00	6.850	360	356	5.950	13.850	6.850	32	1.500	1.500	60	300
2	1,502,479.73	5.712	360	355	5.950	12.712	5.712	31	1.500	1.500	60	300
2	4,044,428.16	7.751	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	4,732,060.11	7.630	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	807,153.42	9.087	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	147,140.27	9.892	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	340,028.45	6.316	360	355	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	503,886.18	7.150	360	354	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	28,130,119.62	6.623	360	356	N/A	N/A	N/A	N/A	N/A	N/A	0	480
2	7,670,152.71	7.699	356	352	N/A	N/A	N/A	N/A	N/A	N/A	0	356
2	3,652,975.19	6.500	360	356	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	165,629.95	10.950	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	345,523.40	8.021	360	355	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	952,276.84	7.819	336	332	N/A	N/A	N/A	N/A	N/A	N/A	0	336
2	1,389,145.19	6.677	360	354	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	707,194.32	5.997	360	353	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	16,176,120.03	7.085	349	344	N/A	N/A	N/A	N/A	N/A	N/A	0	349
2	8,691,411.10	11.613	358	355	N/A	N/A	N/A	N/A	N/A	N/A	0	358
2	42,437.20	10.500	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	823,981.36	11.952	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	77,553.97	11.855	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	443,906.46	11.719	360	358	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	747,191.83	10.307	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	107,880.31	10.850	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	8,430,138.84	11.246	359	356	N/A	N/A	N/A	N/A	N/A	N/A	0	359
2	88,406.80	11.237	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	455,317.71	10.781	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	107,883.28	10.967	360	357	N/A	N/A	N/A	N/A	N/A	N/A	0	360
2	3,441,132.54	10.794	354	351	N/A	N/A	N/A	N/A	N/A	N/A	0	354

The actual characteristics and the performance of the Mortgage Loans will differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Loans will prepay at a constant rate until maturity, that all of the Mortgage Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Mortgage Loans. Moreover, the

diverse remaining terms to maturity and the Mortgage Rates of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various prepayment scenarios specified, even if the weighted average remaining term to maturity and weighted average Mortgage Rate of the Mortgage Loans are assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Loans, or actual prepayment or loss experience, will cause the percentages of initial Class Principal Amounts outstanding over time and the weighted average lives of the Offered Certificates to differ (which difference could be material) from the corresponding information in the tables for each indicated prepayment scenario.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Offered Certificates and set forth the percentages of the initial Class Principal Amounts of the Offered Certificates that would be outstanding after each of the Distribution Dates shown at various prepayment scenarios.

The weighted average life of an Offered Certificate is determined by (1) multiplying the net reduction, if any, of the applicable Class Principal Amount by the number of years from the date of issuance of the Offered Certificate to the related Distribution Date, (2) adding the results and (3) dividing the sum by the aggregate of the net reductions of Class Principal Amount described in (1) above.



**PERCENTAGE OF INITIAL CLASS PRINCIPAL AMOUNT OF THE OFFERED CERTIFICATES  
OUTSTANDING AT THE FOLLOWING PREPAYMENT SCENARIOS**

Distribution Date	Class A-1 Certificates					Class A-2 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
April 2016 .....										
April 2017 .....										
April 2018 .....										
April 2019 .....										
April 2020 .....										
April 2021 .....										
April 2022 .....										
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April 2024 .....										
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April 2026 .....										
April 2027 .....										
April 2028 .....										
April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

  

Distribution Date	Class A-3 Certificates					Class A-4 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
April 2016 .....										
April 2017 .....										
April 2018 .....										
April 2019 .....										
April 2020 .....										
April 2021 .....										
April 2022 .....										
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April 2027 .....										
April 2028 .....										
April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

Distribution Date	Class A-5 Certificates					Class M-1 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
April 2016 .....										
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April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

Distribution Date	Class M-2 Certificates					Class M-3 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
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April 2028 .....										
April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

\*Indicates a number that is greater than zero but less than 0.5%.

**PERCENTAGE OF INITIAL CLASS PRINCIPAL AMOUNT OF THE OFFERED CERTIFICATES  
OUTSTANDING AT THE FOLLOWING PREPAYMENT SCENARIOS**

Distribution Date	Class M-4 Certificates					Class M-5 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
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April 2020 .....										
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April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

  

Distribution Date	Class M-6 Certificates					Class M-7 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
April 2014 .....										
April 2015 .....										
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April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to Maturity .....										
Weighted Average Life in Years to Clean-Up Call .....										

\*Indicates a number that is greater than zero but less than 0.5%.

**PERCENTAGE OF INITIAL CLASS PRINCIPAL AMOUNT OF THE OFFERED CERTIFICATES  
OUTSTANDING AT THE FOLLOWING PREPAYMENT SCENARIOS**

Distribution Date	Class M-8 Certificates					Class M-9 Certificates				
	I	II	III	IV	V	I	II	III	IV	V
Initial Percentage .....	100	100	100	100	100	100	100	100	100	100
April 2007 .....										
April 2008 .....										
April 2009 .....										
April 2010 .....										
April 2011 .....										
April 2012 .....										
April 2013 .....										
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April 2029 .....										
April 2030 .....										
April 2031 .....										
April 2032 .....										
April 2033 .....										
April 2034 .....										
April 2035 .....										
April 2036 .....										
Weighted Average Life in Years to										
Maturity .....										
Weighted Average Life in Years to										
Clean-Up Call .....										

\*Indicates a number that is greater than zero but less than 0.5%.

### **Yield Sensitivity of the Subordinate Certificates**

If the sum of the Overcollateralized Amount and the Class Principal Amount of each class of Subordinate Certificates with a lower payment priority have been reduced to zero, the yield to maturity on the remaining class of Subordinate Certificates with the lowest payment priority will become extremely sensitive to losses on the Mortgage Loans (and the timing thereof) that are covered by subordination, because the entire amount of any Realized Losses (to the extent not covered by Net Monthly Excess Cashflow or by amounts paid under the Interest Rate Swap Agreement and available for that purpose), will be allocated to those Certificates. The initial undivided interests in the Trust evidenced by the Class M-1 Certificates, the Class M-2 Certificates, the Class M-3 Certificates, the Class M-4 Certificates, the Class M-5 Certificates, the Class M-6 Certificates, the Class M-7 Certificates, the Class M-8 Certificates, the Class M-9 Certificates, the Class M-10 Certificates and the Class M-11 Certificates are approximately 4.60%, approximately 3.30%, approximately 1.85%, approximately 1.50%, approximately 1.40%, approximately 1.45%, approximately 1.45%, approximately 1.15%, approximately 0.85%, approximately 0.65% and approximately 1.00%, respectively, and the initial Overcollateralized Amount is approximately 2.15% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date. Investors in the Subordinate Certificates should fully consider the risk that Realized Losses on the Mortgage Loans could result in the failure of such investors to fully recover their investments. In addition, once Realized Losses have been allocated to a class of Subordinate Certificates, such amounts with respect to such Certificates will not longer accrue interest and will not be reinstated thereafter (except to the extent of Subsequent Recoveries as set forth in the Pooling Agreement) and no amounts in respect thereof will be distributable to the Holders of those Certificates. However, Allocated Realized Loss Amounts may be paid to the holders of the applicable Subordinate Certificates from Net Monthly Excess Cashflow in the priority set forth under “Description of the Certificates—Overcollateralization Provisions” and “Description of the Certificates—The Interest Rate Swap Agreement, the Swap Provider and the Swap Account” in this prospectus supplement.

The Subordinate Certificates will not be entitled to any principal distributions until the Stepdown Date or during any period in which a Trigger Event is in effect, unless the aggregate Class Principal Amount of the Senior Certificates has been reduced to zero. As a result, the weighted average lives of the Subordinate Certificates will be longer than would otherwise be the case if distributions of principal were allocated on a *pro rata* basis among the Senior and Subordinate Certificates. As a result of the longer weighted average lives of the Subordinate Certificates, the holders of such Certificates have a greater risk of suffering a loss on their investments. Further, because a Trigger Event may be based on delinquencies, it is possible for the Subordinate Certificates to receive no principal distributions (unless the Class Principal Amount of the Senior Certificates has been reduced to zero) on and after the Stepdown Date even if no losses have occurred on the Mortgage Group.

### **USE OF PROCEEDS**

The net proceeds from the sale of the Offered Certificates will be applied by the Depositor to pay for the acquisition of the Mortgage Loans from the Seller. See “Use of Proceeds” in the accompanying prospectus and “Method of Distribution” in this prospectus supplement.

### **MATERIAL FEDERAL INCOME TAX CONSEQUENCES**

#### **General**

In the opinion of McKee Nelson LLP, counsel to the Underwriter and special tax counsel to the Depositor, a designated portion of the Trust Fund will comprise multiple REMICs for federal income tax purposes; and each of the Net WAC Reserve Fund and the supplemental interest trust, including any amounts deposited in the Swap Account from the Interest Rate Swap Agreement, will be an “outside reserve fund” for purposes of the Treasury regulations promulgated under the REMIC provisions of the Code.

#### **Tax Treatment of the Offered Certificates**

The Pooling Agreement provides that, for federal income tax information reporting purposes, the Securities Administrator will treat each holder of an Offered Certificate (i) as holding an undivided interest in a REMIC regular interest (a “REMIC regular interest component”) and (ii) as having entered into a limited recourse interest rate cap contract written by the holders of the Class C Certificates (the “Cap Contract”). For this purpose, the



REMIC regular interest component of an Offered Certificate will be entitled to receive interest and principal payments at the times and in the amounts equal to those made on the corresponding certificates, except that (i) any Swap Termination Payment will be treated as being payable solely from Net Monthly Excess Cashflow and (ii) the maximum interest rate of the corresponding REMIC regular interest will equal the Net WAC Rate, computed for this purpose by limiting the notional amount of the Interest Rate Swap Agreement to the aggregate principal balance of the Mortgage Loans.

As a result of the foregoing, the amount of distributions on the REMIC regular interest corresponding to an Offered Certificate may exceed the actual amount of distributions on the Offered Certificate. Any amount payable on an Offered Certificate in excess of the amount payable on the corresponding REMIC regular interest will be deemed to have been paid to the holder of that Offered Certificate pursuant to the Cap Contract. Alternatively, any amount payable on the REMIC regular interest corresponding to an Offered Certificate in excess of the amount payable on the Offered Certificate will be treated as having been received by the holder of that Offered Certificate and then as having been paid by such holder pursuant to the Cap Contract.

Each holder of an Offered Certificate will be required to report income accruing with respect to the REMIC regular interest component of that certificate as discussed under “Material Federal Income Tax Consequences” in the accompanying prospectus. In addition, each such certificateholder will be required to report net income with respect to the Cap Contract and will be permitted to recognize a net deduction with respect to the Cap Contract component, subject to the discussion under “Additional Considerations with Respect to the Offered Certificates—The Cap Contract Component” below. Prospective investors should review the discussion under “Material Federal Income Tax Consequences” in the accompanying prospectus and should consult their own tax advisors regarding the consequences to them in light of their own particular circumstances of taxing separately the two components constituting each Offered Certificate.

The remaining portion of this discussion assumes that the rights of the holders of Offered Certificates to receive payments in excess of the amounts payable on the corresponding REMIC regular interests will be treated as rights under a notional principal contract rather than as a partnership for federal income tax purposes. Treatment of such rights as a partnership interest could result in differing timing and character consequences to certificateholders and withholding tax consequences for certificateholders who are foreign persons. Prospective investors should consult their tax advisors regarding the appropriate tax treatment of the right to receive payments on an Offered Certificate in excess of the amounts payable on the corresponding REMIC regular interest.

#### **Additional Considerations with Respect to the Offered Certificates**

##### *Allocations*

A holder of an Offered Certificate must allocate its purchase price for a certificate between its components—the REMIC regular interest component and the Cap Contract component. In addition, upon the sale, exchange, or other disposition of such a certificate, the certificateholder must allocate the amount realized between the components of the certificate based on the relative fair market values of those components at the time of sale and must treat the sale, exchange or other disposition as a sale, exchange or disposition of the REMIC regular interest component and the Cap Contract component.

The Pooling Agreement provides that, for information reporting purposes, the Securities Administrator will treat the Cap Contract component as having nominal value. The Cap Contract is difficult to value, and the IRS could assert that the value of the Cap Contract component as of the closing date is greater than the value used for information reporting purposes. Prospective investors should consider the tax consequences to them if the IRS were to assert a different value for the Cap Contract component.

##### *Original Issue Discount*

The REMIC regular interest component of certain classes of Offered Certificates may be issued with original issue discount (“OID”) for federal income tax purposes. The prepayment assumption that will be used for purposes of computing OID, if any, for federal income tax purposes will be the related Prepayment Assumption. No representation is made that the Mortgage Loans will, in fact, prepay at this rate or any other rate. Computing accruals of OID in the manner described in the prospectus may (depending on the actual rate of prepayments during

the accrual period) result in the accrual of negative amounts of OID on the certificates issued with OID in an accrual period. Holders will be entitled to offset negative accruals of OID only against future OID accruals on their certificates.

#### *The Cap Contract Component*

The portion of the overall purchase price of an Offered Certificate attributable to the Cap Contract component must be amortized over the life of such certificate, taking into account the declining balance of the REMIC regular interest component. Treasury regulations concerning notional principal contracts provide alternative methods for amortizing the purchase price of an interest rate cap contract. Under one method—the level yield constant interest method—the price paid for an interest rate cap is amortized over the life of the cap as though it were the principal amount of a loan bearing interest at a reasonable rate. Prospective investors are urged to consult their tax advisors concerning the methods that can be employed to amortize the portion of the purchase price paid for the Cap Contract component of a certificate.

The Pooling Agreement provides that any payments made to a certificateholder in excess of the amounts payable on the corresponding REMIC regular interest will be treated by the Securities Administrator as periodic payments on an interest rate cap contract. To the extent the sum of such periodic payments for any year exceeds that year's amortized cost of the Cap Contract component, such excess represents net income for that year. Conversely, to the extent that the amount of that year's amortized cost exceeds the sum of the period payments, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

A certificateholder's ability to recognize a net deduction with respect to the Cap Contract component may be limited in the case of (i) estates and trusts and (ii) individuals owning an interest in such component directly or through a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Further, such a certificateholder will not be able to recognize a net deduction with respect to the Cap Contract component in computing the certificateholder's alternative minimum tax liability.

Because a certificateholder will be required to include in income the amount deemed to have been paid by such holder pursuant to the Cap Contract but may not be able to deduct that amount from income, a beneficial owner of an Offered Certificate may have income that exceeds cash distributions on the Offered Certificate, in any period and over the term of the Offered Certificate. As a result, the Offered Certificates may not be a suitable investment for any taxpayer whose net deduction with respect to the Cap Contract would be subject to the limitations described above.

Assuming that the certificate is held as a "capital asset" within the meaning of section 1221 of the Code, gain or loss on the disposition of an interest in the Cap Contract component should be capital gain or loss.

#### *Status of the Offered Certificates*

The REMIC regular interest components of the Offered Certificates will be treated as assets described in Section 7701(a)(19)(C) of the Code, and as "real estate assets" under Section 856(c)(5)(B) of the Code, generally, in the same proportion that the assets of the Trust Fund, exclusive of the assets not included in any REMIC, would be so treated. In addition, the interest derived from the REMIC regular interest component of an Offered Certificate will be interest on obligations secured by interests in real property for purposes of section 856(c)(3) of the Code, subject to the same limitation in the preceding sentence. The Cap Contract components of the Offered Certificate will not qualify, however, as an asset described in Section 7701(a)(19)(C) of the Code or as a real estate asset under Section 856(c)(5)(B) of the Code. As a result of the obligations represented by the Cap Contract components, the Offered Certificates generally will not be a suitable investment for a REMIC.

**Reportable Transactions**

Pursuant to recently enacted legislation, a penalty in the amount of \$10,000 in the case of a natural person and \$50,000 in any other case is imposed on any taxpayer that fails to file timely an information return with the IRS with respect to a “reportable transaction” (as defined in Section 6011 of the Code). The rules defining “reportable transactions” are complex and include transactions that result in certain losses that exceed threshold amounts. Prospective investors are advised to consult their own tax advisers regarding any possible disclosure obligations in light of their particular circumstances.

**Other Taxes**

No representations are made regarding the tax consequences of the purchase, ownership or disposition of the certificates under any state, local or foreign tax law.

**All investors should consult their own advisors regarding the federal, state, local or foreign tax consequences of purchasing, owning or disposing of the certificates.**

**ERISA MATTERS****General**

Any plan fiduciary that proposes to cause a Plan to acquire any of the offered certificates should consult with its counsel about the potential consequences under ERISA, and/or the Code, of the Plan’s acquisition and ownership of those certificates. See “ERISA Considerations” in the prospectus. Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit parties in interest with respect to a Plan engaging in specific transactions involving that Plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes various excise taxes on prohibited transactions involving Plans. ERISA authorizes the imposition of civil penalties for prohibited transactions involving plans not subject to the requirements of Section 4975 of the Code.

Some employee benefit plans, including governmental plans and some church plans, are not subject to ERISA’s requirements. Accordingly, assets of those plans may be invested in the offered certificates without regard to the ERISA considerations described in this prospectus supplement and in the prospectus, subject to the provisions of other applicable federal and state law. However, any of these plans that are qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may be subject to the prohibited transaction rules described in Section 503 of the Code.

Except as noted above, investments by Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a Plan’s investments be made in accordance with the documents governing the Plan. A fiduciary that decides to invest the assets of a Plan in the offered certificates should consider, among other factors, the extreme sensitivity of the investment to the rate of principal payments, including prepayments, on the Loans.

**Application of the Underwriter’s Exemption**

Any person purchasing an offered certificate otherwise eligible for purchase by Plans under the Underwriter’s Exemption, which certificate entitles the holder to receive payments under the Interest Rate Swap Agreement from the supplemental interest trust, will be deemed to have acquired for purposes of ERISA and Section 4975 of the Code the right to receive such offered certificate without the right to receive payments from the supplemental interest trust, together with the right to receive such payments.

The U.S. Department of Labor has granted individual administrative exemptions to J.P. Morgan Securities Inc. (the “Exemption”) from some of the prohibited transaction rules of ERISA and the related excise tax provisions of Section 4975 of the Code for the initial purchase, the holding and the subsequent resale by Plans of securities, including certificates, issued by asset backed entities, including trusts, that consist of particular receivables, loans and other obligations that meet the conditions and requirements of the Exemption. Assuming that the general

conditions of the Exemption are met, the Exemption applies to mortgage loans like the mortgage loans, and to certificates that qualify for the Exemption and represent fractional undivided interests in a trust consisting of mortgage loans like the mortgage loans.

For a general description of the Exemption as amended by PTE 2002-41, 67 Fed. Reg. 54487, (2002), and the conditions that must be satisfied for the Exemption to apply and the limitations on the exemptive relief provided by the Exemption, see “ERISA Considerations” in the prospectus. It is expected that the Exemption will apply to the acquisition and holding by Plans of the offered certificates, other than the Residual Certificates (excluding the right to receive payments from the supplemental interest trust), and that all conditions of the Exemption other than those within the control of the investors will be met, although each fiduciary of a Plan should satisfy itself that the conditions of the Exemption have been satisfied with respect to such Plan. In addition, as of the date hereof, there is no single mortgagor that is the obligor on five percent of the mortgage loans included in the trust by aggregate unamortized principal balance of the assets of the trust.

The rating of a security may change. If a class of certificates is no longer rated at least BBB- or Baa3, certificates of that class will no longer be eligible for relief under the Exemption (although a Plan that had purchased the certificate when it had an investment grade rating would not be required by the Exemption to dispose of it). Consequently, transfers of any offered certificates rated below investment grade (collectively, “ERISA Restricted Offered Certificates”) will not be registered by the securities administrator unless the securities administrator and the trustee receive the following:

- a representation from the transferee of the ERISA Restricted Offered Certificates, acceptable to and in form and substance satisfactory to the securities administrator and the trustee, to the effect that such transferee is not a Plan, nor a person acting on behalf of a Plan or using the assets of a Plan to effect the transfer;
- if the purchaser is an insurance company, a representation that the purchaser is an insurance company which is purchasing the ERISA Restricted Offered Certificates with funds contained in an “insurance company general account,” as that term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60, or PTCE 95 60, and that the purchase and holding of the ERISA Restricted Offered Certificates are covered under Sections I and III of PTCE 95-60; or
- an opinion of counsel satisfactory to the securities administrator and the trustee that the purchase or holding of the ERISA Restricted Offered Certificates by a Plan, any person acting on behalf of a Plan or using a Plan’s assets, will not result in prohibited transactions under Section 406 of ERISA and/or Section 4975 of the Code and will not subject the trustee, the securities administrator, the depositor, the transferor or the servicer to any obligation in addition to those undertaken in the pooling and servicing agreement.

#### **ERISA Considerations with respect to the Interest Rate Swap Agreement**

The Underwriter’s Exemption may not apply to the acquisition, holding or resale of the right to receive payments from the supplemental interest trust by a Plan. The right to receive such payments could also result in a prohibited transaction if the Swap Provider is a party in interest with respect to such Plan, unless another administrative exemption is available. Accordingly, no Plan or other person using Plan assets may acquire or hold an offered certificate otherwise eligible for the Underwriter’s Exemption before the termination of the Interest Rate Swap Agreement, unless such acquisition or holding is eligible for the exemptive relief available under Department of Labor Prohibited Transaction Class Exemption 84-14 (for transactions by independent “qualified professional asset managers”), 91-38 (for transactions by bank collective investment funds), 90-1 (for transactions by insurance company pooled separate accounts), 95-60 (for transactions by insurance company general accounts) or 96-23 (for transactions effected by “in-house asset managers”). Plan fiduciaries should consult their legal counsel concerning this issue. Each beneficial owner of an offered certificate or any interest therein, shall be deemed to have represented, by virtue of its acquisition or holding of the offered certificate, or interest therein, that either (i) it is not a Plan or (ii) the acquisition and holding of such Certificate are eligible for the exemptive relief available under one of the five Prohibited Transaction Class Exemptions as required immediately above. It should be noted that as PTCE 95-60 would cover the prohibited transactions discussed herein in connection with the Interest Rate Swap Agreement, any offered certificate whose rating has fallen to below BBB- could be purchased by insurance company general accounts pursuant to such exemption prior to the termination of the Interest Rate Swap Agreement.

If any offered certificate, or any interest therein, is acquired or held in violation of the provisions of the preceding paragraph, the next preceding permitted beneficial owner will be treated as the beneficial owner of that certificate, retroactive to the date of transfer to the purported beneficial owner. Any purported beneficial owner whose acquisition or holding of an offered certificate, or interest therein, was effected in violation of the provisions of the preceding paragraph shall indemnify to the extent permitted by law and hold harmless the depositor, the transferor, the trustee, the securities administrator and the servicer from and against any and all liabilities, claims, costs or expenses incurred by such parties as a result of such acquisition or holding.

In the event that the representation is violated, or any attempt to transfer to a Plan or person acting on behalf of a Plan or using a Plan's assets is attempted without the opinion of counsel, the attempted transfer or acquisition shall be void and of no effect.

Prospective Plan investors should consult with their legal advisors concerning the impact of ERISA and Section 4975 of the Code, the effect of the assets of the trust being deemed "plan assets," the applicability of the Exemption and the potential consequences in their specific circumstances, prior to making an investment in the offered certificates. Moreover, each Plan fiduciary should determine whether under the general fiduciary standards of investment prudence and diversification, an investment in the offered certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

#### **METHOD OF DISTRIBUTION**

Subject to the terms and conditions set forth in the Underwriting Agreement among the Depositor, J.P. Morgan Securities Inc. (the "Underwriter"), the Depositor has agreed to sell the Offered Certificates to the Underwriter and the Underwriter has agreed to purchase from the Depositor the Offered Certificates.

Distribution of the Offered Certificates will be made by the Underwriter from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. The Underwriter may effect such transactions by selling Offered Certificates to or through dealers and such dealers may receive from the Underwriter, for which it acts as agent, compensation in the form of underwriting discounts, concessions or commissions. The Underwriter and any dealers that participate with the Underwriter in the distribution of such Offered Certificates may be deemed to be underwriters, and any discounts, commissions or concessions received by them, and any profits on resale of the classes of certificates purchased by them, may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended (the "Act"). Proceeds to the Depositor from the sale of the Offered Certificates, before deducting underwriting fees and expenses payable by the Depositor, will be approximately \$[\_\_\_\_\_]. The Underwriter's commission will be any positive difference between the price it pays to the Depositor for the Offered Certificates underwritten by it and the amount it receives from the sale of the Offered Certificates to the public.

The Underwriter intends to make a secondary market in the Offered Certificates, but have no obligation to do so. There can be no assurances that a secondary market for the Offered Certificates will develop or, if it does develop, that it will continue or that it will provide Certificateholders with a sufficient level of liquidity of investment. The Offered Certificates will not be listed on any national securities exchange.

The Depositor has agreed to indemnify the Underwriter against, or make contributions to the Underwriter with respect to, certain liabilities, including liabilities under the Securities Act of 1933, as amended. J.P. Morgan Securities Inc. is an affiliate of the Depositor, the Securities Administrator, the Swap Provider, the Servicer, the Custodian and the Seller. The obligations of each of the Depositor, the Securities Administrator, the Swap Provider, the Servicer, the Custodian and the Seller are in the ordinary course of business.

#### **LEGAL MATTERS**

The validity of the Certificates will be passed upon for the Depositor by McKee Nelson LLP, New York, New York. Certain tax matters will be passed upon for the Depositor by McKee Nelson LLP. McKee Nelson LLP will act as counsel for the Underwriter.



## RATINGS

It is a condition of the issuance of the Offered Certificates that they be rated as indicated on page S-1 by each of Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), Fitch, Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's" and, together with S&P and Fitch, the "Rating Agencies"), as applicable.

The ratings assigned to mortgage pass-through certificates address the likelihood of the receipt of all payments on the mortgage loans by the related certificateholders under the agreements pursuant to which such certificates are issued. Such ratings take into consideration the credit quality of the related mortgage group, including any credit support providers, structural and legal aspects associated with such certificates, and the extent to which the payment stream on the mortgage group is adequate to make the payments required by such certificates. The ratings on the Offered Certificates do not, however, constitute statements regarding the likelihood or frequency of prepayments on the Mortgage Loans, the payment of the Net WAC Rate Carryover Amount or the possibility that a holder of an Offered Certificate might realize a lower than anticipated yield.

The Depositor has not requested a rating of the Offered Certificates by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Offered Certificates or, if it does, what rating would be assigned by such other rating agency. The rating assigned by such other rating agency to the Offered Certificates could be lower than the respective ratings assigned by the Rating Agencies.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Each security rating should be evaluated independently of any other security rating. In the event that the ratings initially assigned to any of the Offered Certificates by the Rating Agencies are subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to such Offered Certificates.

## LEGAL INVESTMENT

The Offered Certificates will **not** constitute "mortgage related securities" for purposes of SMMEA.

The Depositor makes no representations as to the proper characterization of any class of the Offered Certificates for legal investment or other purposes, or as to the ability of particular investors to purchase any class of the Offered Certificates under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of any class of Offered Certificates. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent any class of the Offered Certificates constitutes a legal investment or is subject to investment, capital or other restrictions.

See "Legal Investment" in the prospectus.

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## ANNEX I

**GLOBAL CLEARANCE, SETTLEMENT AND  
TAX DOCUMENTATION PROCEDURES**

Except in certain limited circumstances, the Offered Certificates will be offered globally (the “Global Securities”) and will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through any of The Depository Trust Company (“DTC”), Clearstream or Euroclear. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary cross-market trading between Clearstream or Euroclear and DTC Participants holding Certificates will be effected on a delivery-against-payment basis through the respective Depositories of Clearstream and Euroclear (in such capacity) and as DTC Participants.

Non-U.S. holders (as described below) of Global Securities will be Subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

**Initial Settlement**

All Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors’ interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect Participants in DTC. As a result, Clearstream and Euroclear will hold positions on behalf of their participants through their respective Depositories, which in turn will hold such positions in accounts as DTC Participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to conventional eurobonds, except that there will be no temporary global Security and no “lock-up” or restricted period. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no “lock-up” or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

**Secondary Market Trading**

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

*Trading between DTC Participants.* Secondary market trading between DTC Participants will be settled using the procedures applicable to prior mortgage loan asset-backed certificates issues in same-day funds.

*Trading between Clearstream and/or Euroclear Participants.* Secondary market trading between Clearstream Participants or Euroclear Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

*Trading between DTC Seller and Clearstream or Euroclear purchaser.* When Global Securities are to be transferred from the account of a DTC Participant to the account of a Clearstream Participant or a Euroclear Participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream Participant or Euroclear Participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the respective Depository, as the case may be, to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the actual number of days in such accrual period, and a year assumed to consist of 360 days. For transactions settling on the 31<sup>st</sup> of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective Depository of the DTC Participant's account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream Participant's or Euroclear Participant's account. The Securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream Participants and Euroclear Participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended at line of credit to them, Clearstream Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream Participants or Euroclear Participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream Participant's or Euroclear Participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for sending Global Securities to the respective European Depository for the benefit of Clearstream Participants or Euroclear Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants a cross-market transaction will settle no differently than a trade between two DTC Participants.

*Trading between Clearstream or Euroclear Seller and DTC Purchaser.* Due to time zone differences in their favor, Clearstream Participants and Euroclear Participants may employ their customary procedures for transactions in which Global Securities are to be transferred by the respective clearing system, through the respective Depository, to a DTC Participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream Participant or Euroclear Participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the respective Depository, as appropriate, to deliver the Global Securities to the DTC Participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last Coupon payment to and excluding the settlement date on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the 31<sup>st</sup> of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to

be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase Global Securities from DTC Participants for delivery to Clearstream Participants or Euroclear Participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing System's Customary procedures;

borrowing the Global Securities in the U.S. from a DTC Participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear account in order to settle the sale side of the trade; or

staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream Participant or Euroclear Participant.

#### **Certain U.S. Federal Income Tax Documentation Requirements**

A beneficial owner of Global Securities holding Securities through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. back-up withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate:

*Exemption for non-U.S. Persons (Form W-8BEN).* Beneficial owners of Global Securities that are non-U.S. Persons, either individuals or entities treated as corporations, can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). Non-U.S. Persons that are Certificate Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

*Exemption for non-U.S. Persons with effectively connected income (Form W-8ECI).* A non-U.S. Person, including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

*Exemptions for U.S. Persons (Form W-9).* U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

*U.S. Federal Income Tax Reporting Procedure.* The Certificate Owner of a Global Security files by submitting the appropriate form to the person through whom it holds (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are generally effective until the third succeeding calendar year from the date such form is signed.

The term "U.S. Person" means (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes organized in or

under the laws of the United States or any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise), (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, that elect to continue to be treated as United States persons will also be U.S. Persons. This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

**ANNEX II**  
**INTEREST RATE SWAP SCHEDULE**

<u>Distribution Date in</u>	<u>Notional Schedule (\$)</u>	<u>Distribution Date in</u>	<u>Notional Schedule (\$)</u>
May 2006	\$895,151,174.11	April 2009	\$59,285,608.68
June 2006	\$885,350,310.41	May 2009	\$57,640,033.54
July 2006	\$872,595,019.83	June 2009	\$56,035,461.56
August 2006	\$856,880,033.80	July 2009	\$54,471,162.83
September 2006	\$838,226,417.44	August 2009	\$52,946,401.13
October 2006	\$816,682,930.07	September 2009	\$51,460,435.53
November 2006	\$807,681,477.57	October 2009	\$50,012,520.77
December 2006	\$780,630,011.70	November 2009	\$48,601,909.78
January 2007	\$751,079,523.44	December 2009	\$47,227,852.90
February 2007	\$719,387,336.15	January 2010	\$45,889,600.42
March 2007	\$685,997,290.94	February 2010	\$44,407,008.05
April 2007	\$654,153,538.20	March 2010	\$42,931,968.05
May 2007	\$623,785,352.42	April 2010	\$41,501,010.38
June 2007	\$594,823,079.25	May 2010	\$0.00
July 2007	\$567,200,392.37		
August 2007	\$540,854,133.29		
September 2007	\$515,718,982.26		
October 2007	\$491,741,204.99		
November 2007	\$468,740,480.18		
December 2007	\$446,500,550.87		
January 2008	\$424,696,663.54		
February 2008	\$378,795,292.31		
March 2008	\$87,432,023.84		
April 2008	\$83,463,232.77		
May 2008	\$79,961,396.75		
June 2008	\$76,696,427.05		
July 2008	\$73,599,008.73		
August 2008	\$70,608,254.53		
September 2008	\$67,717,938.82		
October 2008	\$64,897,246.69		
November 2008	\$62,185,730.30		
December 2008	\$58,900,736.66		
January 2009	\$54,765,241.37		
February 2009	\$61,008,294.53		
March 2009	\$60,997,830.54		



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Prospectus

**Consider carefully the risk factors beginning on page 7 of this prospectus.**

The securities represent obligations of the issuing entity only and do not represent an interest in or obligation of J.P. Morgan Acceptance Corporation I, J.P. Morgan Mortgage Acquisition Corp. or any of their affiliates.

This prospectus may be used to offer and sell the securities only if accompanied by a prospectus supplement.

No market will exist for the securities of any series before the securities are issued. In addition, even after the securities of a series have been issued and sold, there can be no assurance that a resale market will develop.

J.P. Morgan Acceptance Corporation I  
Depositor  
Asset Backed Securities  
(Issuable in Series)

---

J.P. Morgan Acceptance Corporation I may periodically establish trusts which will issue securities. The securities may be in the form of asset-backed certificates or asset-backed notes. Each issue of securities will have its own series designation.

Each series of securities will:

- be backed by one or more pools of mortgage loans, manufactured housing contracts or mortgage backed securities; and
- consist of one or more classes of securities.

Each class of securities:

- will be entitled to all, some or none of the interest payments and principal payments on the assets of the trust;
- may be senior or subordinate in right of payment to other classes; and
- may receive payments from an insurance policy, cash account or other form of credit enhancement to cover losses on the trust assets.

Neither the SEC nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

April 4, 2006

**Important Notice About Information Presented In This Prospectus  
and the Accompanying Prospectus Supplement**

We provide information to you about the securities in two separate documents that progressively provide more detail:

- (a) this prospectus, which provides general information, some of which may not apply to your series of securities and
- (b) the accompanying prospectus supplement, which describes the specific terms of your series of securities.

If the terms of a particular series of securities vary between this prospectus and the accompanying prospectus supplement, you should rely on the information in the prospectus supplement.

You should rely only on the information provided in this prospectus and the accompanying prospectus supplement, including the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is not permitted.

We include cross-references in this prospectus and the accompanying prospectus supplement to captions in these materials where you can find further related discussions. There is a Glossary on page 161 where you will find definitions of the capitalized terms used in this prospectus. The following Table of Contents and the Table of Contents included in the accompanying prospectus supplement provide the pages on which these captions are located.

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### **Risk Factors**

You should consider the following risk factors in deciding whether to purchase any of the securities.

#### **Yield is Sensitive to Rate of Principal Prepayment**

The yield on the securities of each series will depend in part on the rate of principal payment on the assets of the trust fund. The rate of principal payments will be affected by:

- the amortization schedules of the loans;
- the extent of prepayments of the loans, including partial prepayments and full prepayments resulting from:
  - refinancing by borrowers;
  - liquidations of defaulted loans by a servicer and the receipt of liquidation proceeds in connection therewith; and
  - repurchases of mortgage loans by an originator or the seller as a result of defective documentation or breaches of representations and warranties.
- the allocation of principal, interest and/or other payments among the classes of securities of a series as specified in the related prospectus supplement;
- the exercise of any right of optional termination; and
- the rate and timing of payment defaults and losses incurred with respect to the assets of the trust fund.

The rate of prepayments on loans is influenced by a number of economic, geographic, social and other factors, including:

- prevailing market interest rates for the particular asset;
- local and national interest rates;
- homeowner mobility; and
- the ability of the borrower to obtain refinancing.

For example, if interest rates for similar loans fall below the interest rates on the loans in the trust, the rate of prepayment would generally be expected to increase. Conversely, if interest rates on similar loans rise above the interest rates on the loans in the trust, the rate of prepayment would generally be expected to decrease. Borrowers may prepay their loans in whole or in part at any time; however, some or all of the loans to be included in the trust fund may require the

payment of a prepayment premium in connection with any voluntary prepayments in full and certain voluntary prepayments in part, made during periods ranging from the periods specified in the related prospectus supplement. These prepayment premiums may discourage borrowers from prepaying their loans during the applicable period.

Prepayments on the mortgage loans may occur as a result of solicitations of the borrowers by loan originators, including the seller and its affiliates, a servicer or any master servicer.

We cannot predict the rate at which borrowers will repay their loans. Please consider the following:

- if you purchase a security at a discount, especially a principal-only security, your yield may be lower than expected if principal payments on the related loans occur at a slower rate than you expected;
- if you purchase a security at a premium, especially an interest-only security, your yield may be lower than expected if principal payments on the related loans occur at a faster rate than you expected, and you could lose your initial investment;
- if the rate of default and the amount of losses on the loans in the trust are higher than you expect, then your yield may be lower than you expect, and you could lose all or a portion of your initial investment;
- the earlier a payment of principal occurs, the greater the impact on your yield. For example, if you purchase any security at a premium, although the average rate of principal payments is consistent with your expectations, if the rate of principal payments occurs initially at a rate higher than expected, which would adversely impact your yield, a subsequent reduction in the rate of principal payments will not offset any adverse yield effect; and
- the priorities governing payments of scheduled and unscheduled principal will have the effect of accelerating the rate of principal payments to holders of the classes of senior securities relative to the classes of subordinate securities.

#### **Limited Resale Market for Securities Could Adversely Affect Your Ability to Liquidate Your Investment**

No market will exist for the securities of any series before they are issued and no underwriter will be required to assist investors in resales of their securities. We cannot give you any assurances that a resale market will develop following the issuance and sale of any series of securities. There have been times in the past when the absence of a liquid resale market for similar asset backed securities has rendered investors unable to sell their securities at all or at other than a significant loss. Consequently, at a time when you desire to sell your securities, you may not be able to do so. Alternatively, you may be able to do so only at a price significantly below that which would be obtainable were there a liquid resale market for your securities. The market values of securities are likely

to fluctuate; these fluctuations may be significant and could result in significant losses to you. The secondary market for mortgage pass-through securities has experienced periods of illiquidity and can be expected to do so in the future. Illiquidity can have a severe adverse effect on the prices of securities that are especially sensitive to prepayment, credit or interest rate risk, or that have been structured to meet the investment requirements of limited categories of investors.

**Protection Against Losses is Limited Since Securities Will Receive Payments Only From Specified Sources**

The securities of each series will be payable solely from the assets of the related trust, including any applicable credit enhancement. In addition, at the times specified in the related prospectus supplement, some assets of the trust may be released to the seller, the depositor, the master servicer, a credit enhancement provider or other person. Once released, those assets will no longer be available to make payments to securityholders.

The securities will not represent an interest in the seller, the depositor, the master servicer or any of their respective affiliates, nor will the securities represent an obligation of any of them. The originator or other seller of loans or mortgage backed securities to the depositor for inclusion in a trust will make particular representations and warranties as to those assets. Those representations and warranties will be described in the related prospectus supplement. The only obligation of the seller with respect to a trust will be to repurchase a trust asset if the seller or originator breaches a representation and warranty concerning the related trust asset. There will be no recourse against the originator, the seller, the depositor, the master servicer or the servicers if any required distribution on the securities is not made. Consequently, you will be reliant entirely on the trust assets and any available credit enhancement for payments on the securities. If payments on the trust assets are insufficient to make all payments required on the securities you may incur a loss of your investment.

Credit enhancement is intended to reduce the effect of delinquent payments or loan losses on those classes of securities that have the benefit of the credit enhancement. Additional credit enhancement in the form of one or more derivative agreements may be provided to alleviate the effect of the application of any cap on the interest rate of the securities equal to the net mortgage rate of the related loans on the payments of interest to the securities. However, the amount of any credit enhancement may decline or be depleted before the securities are paid in full. Third party providers of credit enhancement such as insurance policies or derivative agreements could default. In addition, credit enhancement may not cover all potential sources of loss, including, for instance, a loss resulting from fraud or negligence by a loan originator or other party. Credit enhancement may therefore be limited in coverage and in amount. It may also include the credit risk of a third party like an insurer. The terms of any credit enhancement and the limitations will be described in the related prospectus supplement.

You must carefully assess the specific assets of the trust issuing your securities and any credit enhancement because they will be your only protection against losses on your investment.